

THE REAL IMPACT OF TALENT:

How Europe's Smaller Businesses Drive Future Success

CAPITALENT



THE REAL IMPACT OF TALENT: HOW EUROPE'S SMALLER BUSINESSES DRIVE FUTURE SUCCESS

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A REPORT BY CAPITALTalent
AND THE EUROPEAN
ASSOCIATION
FOR PEOPLE MANAGEMENT

JUNE 2012

FOREWORD

More and more, we are seeing a growing scarcity of talent in the labor markets. As companies struggle to recruit and retain the right talent, the HR function takes on new importance as the key to growing a successful business. This is just as true for start-ups and smaller businesses as it is for large ones.

Smaller businesses must recognize the need to manage talent proactively and appreciate the opportunity it represents. Rather than wait until they are larger or more established, they must adopt a relentless focus on people from the beginning. Doing so needn't be complicated or expensive; there are many common-sense, cost-effective ways to manage talent effectively. But one thing is certain: the payoff is tremendous. When line managers work in tandem with HR, talent management becomes a natural way of operating—and fuels business success.

Filippo Abramo

PRESIDENT OF EAPM, THE EUROPEAN ASSOCIATION FOR PEOPLE MANAGEMENT, MILAN

“Top talent” is a myth—and an outdated idea. Talent—the people factor that is key to a business' success—encompasses a much more diverse group than a few recent candidates for top executive positions. By appreciating talent in a broader, more inclusive sense, employers, works councils, and employees will be better equipped to create a productive work environment—and a sustainable foundation for the business.

Smaller businesses are often ahead of the people management game. By having a balanced, broader approach to cultivating talent, companies demonstrate that they recognize the source of their success: their people. The social dialogue, at European and national levels, should help smaller companies to afford an increasing participation of professional and managerial staff, to focusing on management of talent and skills at all professional levels. Such a work environment can foster a professional and cultural climate able to aim at the top for any individual and its organization.

Carlo Parietti

PRESIDENT OF EUROCADRES, THE COUNCIL OF EUROPEAN PROFESSIONAL AND MANAGERIAL STAFF, BRUSSELS

Throughout turbulent times, small and medium-sized enterprises have always helped regenerate economic wealth. Today is no different. When it comes to creating future jobs and growing GDP in Europe, these businesses are in the driver's seat. It is no exaggeration to say that their innovativeness and entrepreneurial spirit may be our greatest hope for restoring Europe's ailing economies.

Just as small and medium-sized businesses are the lifeblood of an economy, so too is talent the lifeblood of a company. It is the people in a business who make the difference. Your people alone determine whether your business will succeed or fail. So a business' leaders must truly understand the value of talent—talent defined in the broadest sense, not just the future senior executives—and equip themselves to manage it with discipline. They need a hands-on approach to building, retaining and leveraging their talented people—practices they can put in place today that will yield results quickly.

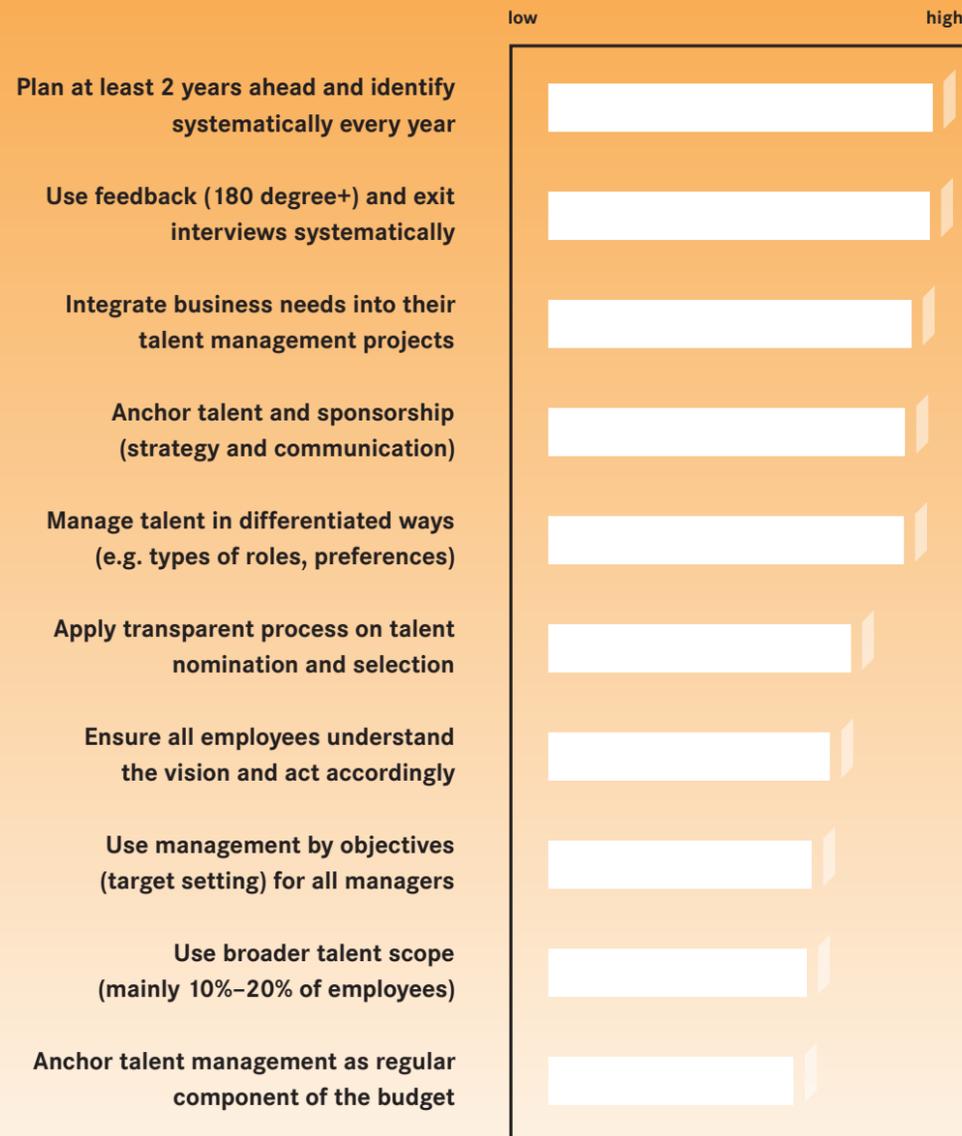
Josef Schlarmann

PRESIDENT OF MIT, THE SMALL AND MEDIUM ENTERPRISE ASSOCIATION OF CDU/CSU, BERLIN

HIGH-PERFORMING COMPANIES ENGAGE MORE ON TALENT

What high-performing companies do more of (Top 10 out of 51 practices)

Difference between high-performing and weaker companies



Note: Company size effects neutralized
Source: CAPITALENT-EAPM survey 2011/2012

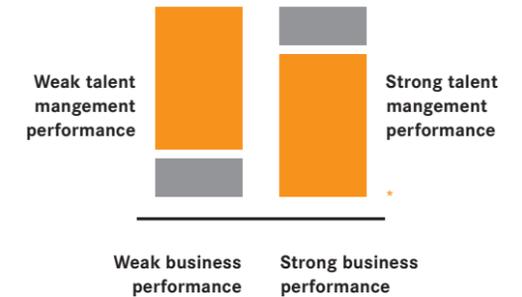
WHY TALENT REALLY MATTERS...

Ask any business executive whether talent matters, you will hear “of course”. Then ask “how do *you* manage talent”, and from many business leaders—especially those from smaller businesses—you are likely to hear “why me?” or “not well”.

Smaller companies often struggle with how to manage talent strategically and systematically, particularly as they grow and mature. For example, the minimally staffed (if not one-person) HR department grapples with understanding job specialization. Many companies refrain from devoting resources (and management attention) to talent management because they see no immediate benefit in it. Such a view is not only self-fulfilling—it can also severely undermine performance and competitiveness.

In today’s high-speed, globally competitive world, talent management can no longer be seen as the preserve of only large companies. The talent shortage that is sweeping developed economies is worsening—and it will keep getting worse, regardless of economic cycles. It will become much tougher to retain talent. Securing talent with the skills critical for business success in the coming decades will require more than short-term, expedient solutions. Doubling up managers’ existing responsibilities creates burn-out and family balance problems that invariably hurt companies as well as employees. Banking on filling talent gaps through immigrant talent is no solution, either, as foreign professionals are increasingly opting to return home to help grow their own nations’ economies. What is more, this scarcity allows talented individuals with sought-after competencies to be more selective about the companies they will work for. Talent management must be the concern of every business, regardless of size and maturity.

Apart from the greater urgency fueled by the talent shortage, there is an even more compelling reason for smaller businesses to put talent management on their strategic agendas. Companies that perform better make talent management a priority; and, conversely, companies that pay attention to talent management tend to perform well.



From October 2011 through April 2012, CAPITALENT and the European Association for People Management (EAPM) conducted an in-depth study of talent management among nearly 1,200 business and human-resource executives from predominantly small and mid-sized European businesses. Understanding the relationship between talent management and company performance was one of the main goals of our research. We sought to understand current thinking, practices and priorities among this important, yet less studied, segment of businesses, a segment whose record in talent management is spotty.

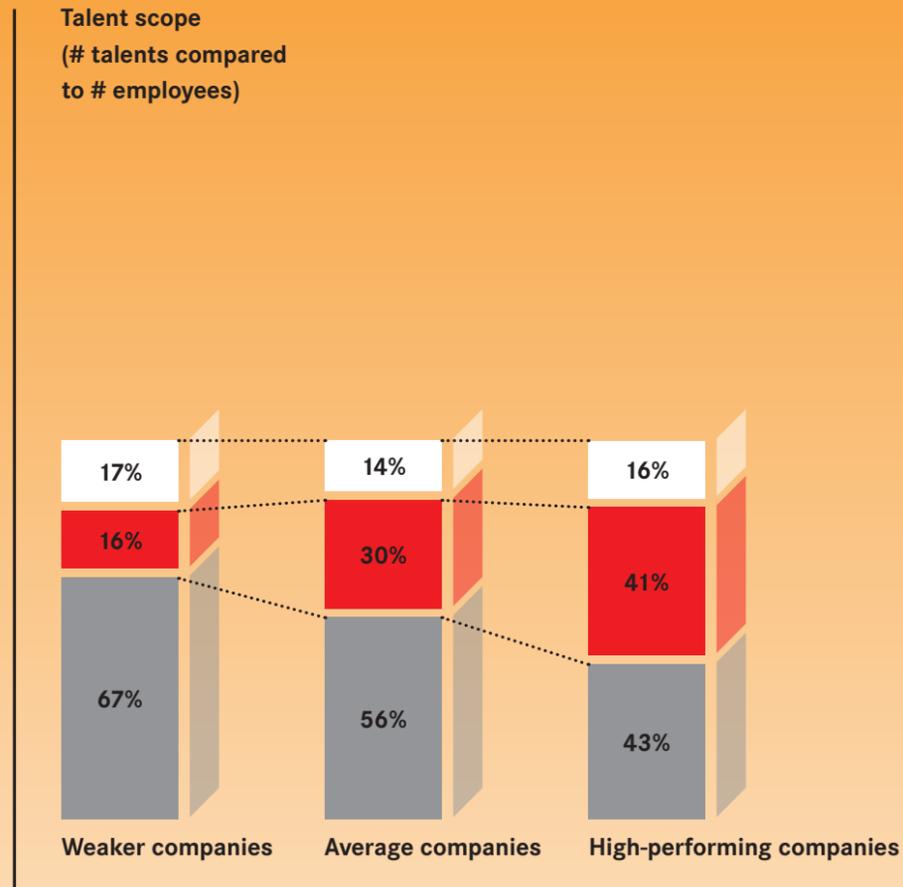
To fully appreciate the significance of the study’s findings, consider the substantial payoff that talent management can yield. We analyzed 51 practices from the survey to highlight key differences between stronger and weaker companies.

(See page 2)

The two biggest points of differentiation between the strong performers and the weaker ones were that (1) strong performers plan for talent strategically—and do so at least two years out, with annual revisions; and (2) strong performers systematically use multi-view feedback (at least 180 degrees) and exit interviews. And what do stronger and weaker companies have in common? In general, both have a similar organizational approach to people development, both struggle broadly with realizing the desired impact of talent management projects, and both are equally assertive in defending their talent management budgets when the company is on a cost-cutting campaign.

* Note: Respondents assessed their organization’s business and talent management performance
Source: CAPITALENT-EAPM survey 2011/2012

SUCCESSFUL COMPANIES SET A WIDER SCOPE ON TALENT



Business performance

- More than 2 out of 10
- 1-2 out of 10
- Less than 1 out of 10

Note: Evidence across company size and industry
Source: CAPITALTalent-EAPM survey 2011/2012

...AND A BROADER VIEW PAYS OFF

Beyond correlating the impact of talent management on business performance in smaller companies, we also discovered that stronger companies, regardless of industry, take a broader view of talent. They do not just view talent as the elite three percent who represent the future successors to the current line-up of top executives. More than half of the high-performing companies (57 percent) considered at least ten percent of their workforce to be talent that merits managing—and managing well. Contrast that with the 67 percent of weak performers that regard less than ten percent of their workforce as part of their real talent pools.

(See page 4)

The high performers' broader view acknowledges that different people contribute value to an organization in different ways. Talent consists of those whose work is essential to overall business performance: those with functional capabilities and expertise, not just management acumen. For example, the talent roster might include the procurement expert who has the foresight to recognize the value (both monetary and marketing) of environmentally sound sourcing practices.

Talent—the people most critical to advancing a business—is defined by a company's context at any given point in its evolution. What is strategically important talent-wise today may be different in two years, as the company's business priorities change, or simply as the company matures. And different people might become more business-critical as their talents reveal themselves over time.

ABOUT THE STUDY

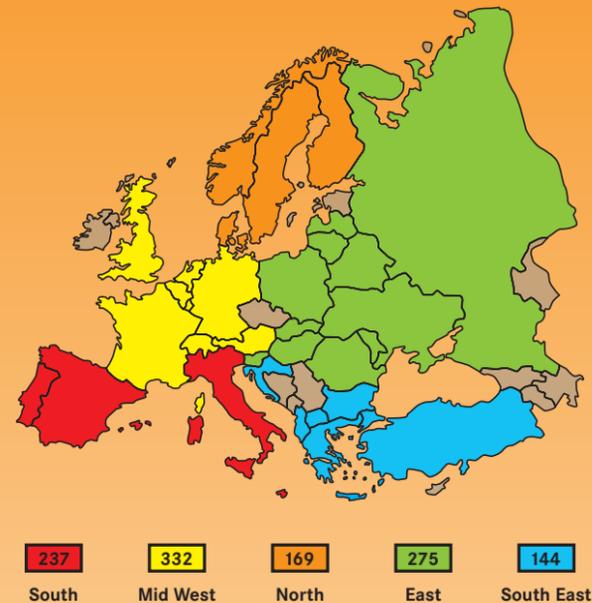
Surveying the Scene

The CAPITALENT-EAPM study sought a comprehensive view of talent management in smaller businesses, including current practices and capabilities, major challenges (and their causes), future priorities, and the ease of implementing new processes and tools. We also wanted to understand the perception that talent has of smaller businesses.

The study, one of the largest of its kind worldwide, surveyed 1,174 HR and business leaders from more than 30 European countries and the full gamut of industries, from manufacturing to financial services, as well as the public sector. Respondents answered 43 questions on business performance and talent management and ranked themselves, and smaller businesses as a whole, on a list of 75 benchmarks.

Respondents, drawn chiefly from EAPM's country organizations, were a mix of HR executives (64 percent), line managers (11 percent), and those who wear both hats (25 percent). Half came from companies with fewer than 200 employees and almost 30 percent from companies with between 200 and 1,000 employees.

In addition to the Web survey, we interviewed dozens of carefully pre-selected HR and business leaders. We asked participants to identify their most important talent management activity, the practices that they performed well, and the biggest challenges they face. From these interviews, we catalogued more than 140 sound practices.



Source: CAPITALENT-EAPM survey 2011/2012

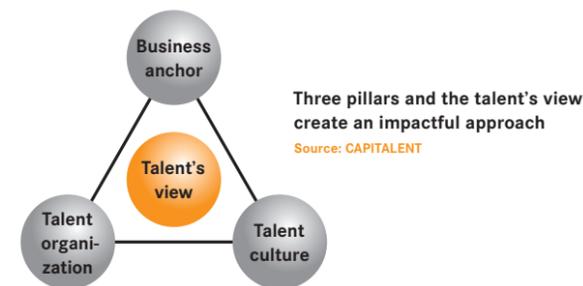
Defining Our Terms

Why “smaller” businesses? We deliberately avoided the more traditional classification “small and mid-sized business” (SMB), chiefly because definitions vary enough to make data comparisons confusing. We wanted to focus on organizations that lack a fully developed and specialized talent management function, ranging from a single person with combined HR and business responsibilities to an HR department with an explicit talent management role.

“Sound” versus “best” practice. Because every company's size, strategy and context are different, there is no one best practice that applies to any given challenge. With the term “sound practice”, we intend to suggest that there are multiple effective approaches that could be suitable for any one organization.

THE TALENT TRIANGLE: THE LENS FOR VIEWING TALENT MANAGEMENT PRACTICES

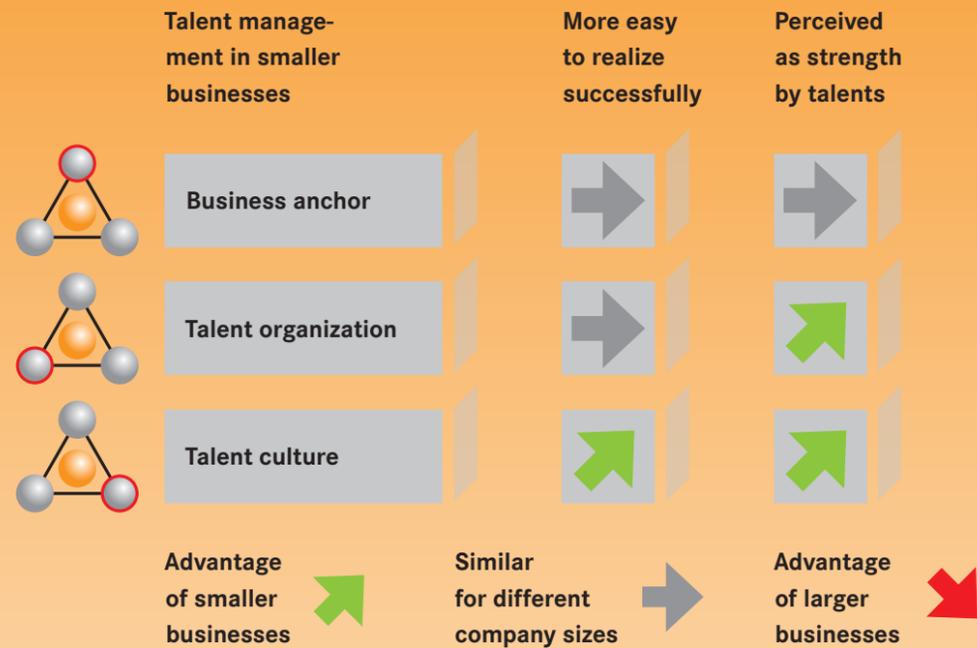
Based on our extensive field experience as well as on current marketplace challenges, we see talent management as an activity with distinct core components.



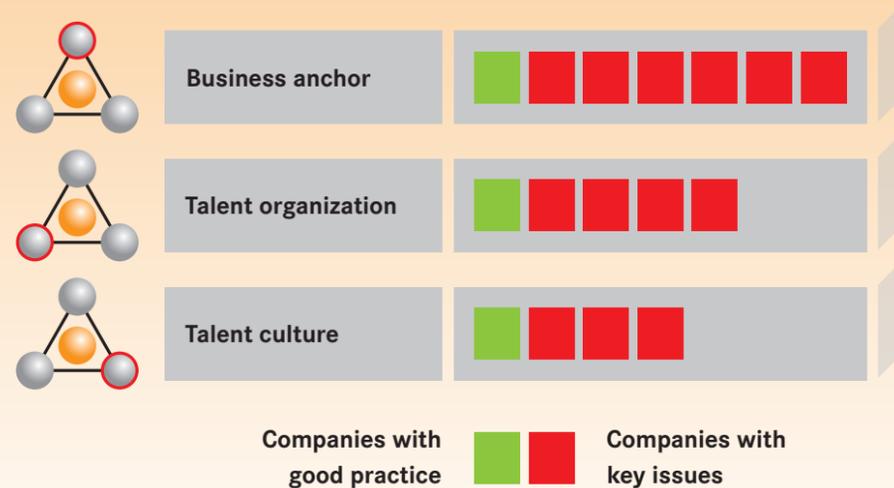
The first component is the **Business anchor**: talent must be anchored to the business' strategy and engrained in everything the company does—its thinking, communication, planning and actions. Next is the **Talent organization**. Every company requires a designated talent leader—a senior executive or HR professional. It also needs to be equipped with the capabilities, processes, methodologies, and tools to ensure that it consistently and pragmatically attracts, develops, assesses, and retains talent. The third component is **Talent culture**: every company must promote an environment that drives performance and that overtly values talent.

But it takes more than these components to be able to field a solid talent management approach. Beyond addressing the company's goals and needs, management must also consider the **Talent's view**—that is, the needs and interests of the individuals who comprise the talent pools. The perspective of the talent resources themselves must be appreciated and accounted for if the three components of talent management are to be effective. Companies that care about talent's view generate good will and energized, committed talent pools—and frequently, they reap new ideas that improve how they run their businesses. Ultimately, as we have shown, they can capture important marketplace advantage.

SMALLER BUSINESSES—A GOOD ENVIRONMENT FOR TALENT, THOUGH THEY STRUGGLE



Note: Respondents assessed 15 talent management topics
Source: CAPITALMENT-EAPM survey 2011/2012



Note: Respondents assessed their organizations' practices
Source: CAPITALMENT-EAPM survey 2011/2012

YET, ONLY FEW ENJOY SMALLER BUSINESS' ADVANTAGE

Smaller businesses appear to be on equal footing with large companies in at least two respects. (See page 8 top) Survey respondents reported that their companies are just as able as large companies to successfully anchor talent management to business priorities and to implement new tools. Respondents also believe that it is easier to foster a talent-oriented culture in smaller organizations than in larger ones. Equally important, respondents believe that talent also perceives smaller organizations as having an advantage over large companies in these areas.

Smaller organizations by definition have a greater potential growth trajectory, which means that ambitious individuals can usually advance faster and further in their careers than they might at larger organizations. Talent and managers interact more directly and more often. Both sides can capitalize on their closer proximity to promote their respective development and growth.

Overall, for every exemplar of sound practice, we identified on average four organizations that underperform in a key talent management area. Looking at business performance, weaker companies fall especially short in execution (86 percent), fostering the right mindset and behavior (66 percent), and developing talent effectively (48 percent). Anchoring talent management to business strategy was the hardest of the three talent triangle components to achieve, with one success story for every six companies that fell short. (See page 8 bottom) Having a talent culture was, relatively speaking, the easiest to achieve of all three components, although underperformers in this component outnumbered the success stories by three to one.

We found that when small companies grow and mature, they tend to acquire a more structured, long-term view of talent development and management. That is logical; you cannot be informal about any business process, including people management, once you grow to a certain size. Take Altana AG, the German specialty chemicals company: throughout its years of growth, the company has struck a

balance between its need for an ongoing, systematic approach and the need to respect the small-business roots and diverse cultures of its more than 40 small businesses. Altana intensively trains line managers and mobilizes them to play active, front-line roles in talent management in the multiple units; it has no use for ponderous centralized processes and tools.

For all respondents, the most common underlying talent management problem was lack of management commitment, followed by lack of resources and budget (hardly surprising, given the nature of smaller organizations). In fact, one out of five companies does not budget for talent management at all. In smaller companies, resources for long-term goals are often given short shrift because leaders are preoccupied with day-to-day operations. Also, executives and senior managers tend to wear more hats in smaller organizations, and talent management tends to be ad hoc and no-frills. As long as the company is known as a good place to work, advertises positions or conducts proper searches, and compensates talent fairly, its talent management is essentially taken care of, so the thinking goes. Processes related to managing talent are seen as expensive and time-consuming.

Sixty percent of our respondents said that their organization had engaged in a talent management project in the past three years. Of those, an alarming 89 percent claimed that their projects failed to achieve their desired impact. "Lack of leadership commitment" was the main culprit (cited by 60 percent of respondents), and "difficulty aligning with business needs" was also a major factor. Surprisingly, eight out of ten of the high-performing companies said their talent management efforts lacked the desired impact. Often, HR conducts such initiatives in a vacuum, with insufficient communication or collaboration with the line businesses. In many cases, initiatives are over-engineered, hard to sustain on a day-to-day basis—and thus programmed to fail.

FOR TALENT MANAGEMENT, EUROPE'S SMALLER BUSINESSES PRIORITIZE LEADERSHIP AND PLANNING



Source: CAPITALENT-EAPM survey 2011/2012

THE FIVE MOST URGENT PRIORITIES

Of the 15 talent management key topics we focused on in the survey, five emerged clearly as priorities—that is, respondents considered them the areas most important to their future success as well as the talent areas requiring the most improvement. One falls under the “Business anchor” area in the talent triangle: performing strategic planning for talent management. Two come under the “Talent organization” umbrella: committing to execution on a daily basis and developing talent effectively—with hands-on, actionable on-the-job learning and coaching. The remaining two are “Talent culture” issues: ensuring that leaders are fully engaged and are fostering a success mindset. (See page 10)

What did we discover about these five “red zone” areas? And what specific practices and viewpoints did we glean from the survey participants who have skirted the pitfalls and managed to achieve success in any of these areas?

The examples of sound practices described below are drawn from a wide range of study participants; in some cases we drew more than one example from the same company to illustrate the firm's practices in context.

Priority #1:**ENSURE THAT THE COMPANY'S LEADERS ARE FULLY ENGAGED —AND STAY THAT WAY**

Leader engagement was, far and away, the most important priority as well as the one in which respondents felt their company suffered from great performance gaps. Not surprisingly, it is well-known that lack of leadership engagement is chronic throughout many areas of management, not only in talent management.

For many reasons, managers are lukewarm about playing a role in talent management, so execution is less than rigorous. Typically, they do not consider it a part of their core responsibilities, and, tend to believe that like insurance, they need it only when they need it. Our study reveals that small businesses are not good at screening for talent; one out of four does not do so at all, and another one out of three does not do so regularly, as a matter of their line managers' day-to-day responsibilities. Yet line managers see individual talent in action every day; they are best-positioned to identify what each individual brings to the table, make the effort to groom talent, and leverage it to the company's best advantage.

How can companies foster management commitment?

How can they motivate line managers to embrace this role—to identify and manage the identified talent, and to help uncover the hidden strengths in individuals that can benefit the business?

First, line managers need to understand how and why talent matters to business success—in their areas of operation as well as to the company overall. A CEO should lead by example. Second, they need to be incentivized to manage talent, through their performance reviews and through such methods as management by objectives (MBO). Finally, HR should support and educate them about talent management, so they can perform it effectively. Talent reviews do not need to depend on high-tech tools or technocratic solutions; facilitation and substantive discussion can be just as, if not more, effective.

Three examples of sound practice make the case:

- **Dunapack Rodina AD** is a Bulgarian packager that not only navigated the global financial crisis without having to downsize, but even gained market share during that time. The 150-employee company is a firm believer in using management by objectives for people management. (Indeed, it has won awards for both its sustainable business success and its people management processes.) In 2011 Dunapack set a new objective for line managers: training and engaging new employees within six months so that the employees would be able to handle the workload of an experienced colleague while meeting the same quality standards.
- **Titan Cement Company**, based in Athens, Greece, has thus far navigated the nation's economic crisis and talent flight with remarkable success. Management at the more than 100-year-old company, which has 1,500 employees throughout its Greek locations, not only "talks people"; it has a long history of nurturing employees and talent. Line managers are an important part of the equation. Titan anchors talent management in a pragmatic way: including people development in line managers' performance appraisal through concrete examples. Line managers are required to document—and are assessed on—their hands-on talent development efforts.
- A **business services company** in France, with 500 employees, attains high levels of engagement and retention of critical personnel by putting a premium on clear and frequent communication and prompt action. Not only does HR check in regularly with its most valued employees to find out what is on their minds and how the company can do more to remove business constraints, but the company's leaders are trained and are held accountable for taking care of and openly communicating with employees.

Priority #2:**DO NOT SKIMP ON STRATEGIC PLANNING OF TALENT MANAGEMENT**

For the majority of the companies surveyed, strategic planning is among their most urgent needs—and greatest shortcomings. Only 22 percent of smaller businesses say they plan for talent more than two years out. Many business leaders and HR managers are unfamiliar with key concepts and tools for carrying out strategic talent planning. In addition, many simply lack the commitment to do it, whether they are overburdened with their everyday planning and management responsibilities or do not know where to start—or both.

In the decades ahead, strategic planning for talent will be as critical to a business' competitiveness and long-term success as it is for general management of the business.

So what can leaders do to strategically plan for talent?

First, companies must understand their business-critical roles and competencies, grouping them into a few segments where appropriate. This makes it easier to review demand and supply in actionable ways. Evaluating supply involves taking stock of the potential talent already on the payroll, looking at individuals' performance, potential and pathway as well as preferences. It also calls for monitoring demographic and economic trends to stay current with the availability of promising candidates outside the company.

Next, companies need to derive a realistic picture of the demand for talent by deconstructing different business scenarios. This exercise goes beyond simple succession planning that too often is driven by short-term replacement needs—hardly the best measure of talent demand overall.

Proper assessments of talent demand and supply do not require smaller organizations to invest in highly engineered solutions; it can be sufficient to conduct well-structured discussions with line managers in the context of the company's business strategy process and talent reviews.

Here are good examples of talent planning in action:

- A **telecom** in Scandinavia carries out constant functional talent reviews in addition to planning general management positions over a three-year horizon. That way, the company ensures that it always has sufficient business-critical expertise in place and is mindful of possible talent gaps. This simple, pragmatic enhancement, instituted after a technical incident, revealed that the telecom had inadequate people resources. It enabled the company to identify critical gaps in its locations. The company created a flexible, mobile taskforce of specialists that can be deployed anywhere it operates to resolve critical situations. Additionally, the taskforce helps mitigate against future risks in another way: its high-profile role means that the jobs involved are attractive to potential candidates.
- A **technology supplier** in Germany has been able to act strategically on talent issues in times of crisis. In the process, it has won awards for its technology improvements and HR practices. The company, which has some 200 employees and a strong roster of international customers, depends heavily on the talents of its technology developers for its success and competitive edge. Several of its developers were freelancers who served similar companies. During the 2008-09 financial crisis, the technology supplier stalled when its company's customer base slumped. But it saw opportunity in the crisis: realizing that its talented freelancers were idle too, the company on-boarded the most valuable of them as permanent employees—at a favorable cost. The freelancers appreciated the secure work, and the company gained a competitive advantage in time for the economic recovery. The risk of this "investment" paid off handsomely: as business picked up rapidly, the company was ready to deliver more and better than competitors, thanks to its blend of new talent.

Priority #2 Continued:

- **Titan Cement** traditionally conducts multi-year succession planning every year in review meetings with its line managers. The exercise addresses the demand for talent as well as the preferences and development plans of each individual with potential. But when financial crisis struck, Titan replaced its conventional succession efforts with retention plans. For example, recognizing the lack of promotion opportunities because of the economic crisis, Titan introduced “double roles” in which talented employees hold two positions, even if each position reports to a different manager. The efforts were successful: Titan was able to hold on to many of its best employees. Another upside to the move: line managers remained engaged in talent management. At a time when Greek employers are bleeding talent, Titan managed to lose less than two percent of its talent workforce in 2011.
- A 50-person **media company** in Western Europe shows how to build a talent “win-win” rationale into succession planning. In smaller organizations in particular, there are, de facto, fewer positions for premium talent to advance into. In such situations, small companies risk inadvertently creating unhealthy competition for scarce promotions. Faced with the need to plan for succession of a sales executive, the media company had to decide between two candidates—both of whom had competencies considered crucial to the company over the long term. After opting for one of them as the successor, the company encouraged both individuals to propose modifications to the sales-chief role that would tap each person’s individual strengths and preferences. The two agreed to the challenge and worked out a solution; as a result, the company retained both talented professionals, maintained morale, and continued to create shareholder value.

Priority #3:**COMMIT TO THE “DAY IN, DAY OUT” EXECUTION OF TALENT**

Often, companies that know what it takes to manage talent well consider themselves ill-equipped for the task. Some claim a lack of resources and budget. Many believe that talent management takes lots of time and expertise (“that’s for larger companies, not us”).

How can companies execute well?

In a nutshell, they need to keep talent management simple. They also must involve line managers and talented staff themselves in the responsibility. It is straightforward—and doable—to get business managers and HR to work together to identify the right people and priorities, and to set up individual development plans. It is a powerful, easy first step that does not take major resources or infrastructure. A good starting tool could be as simple as a well-designed, easily accessible spreadsheet:

- The small business unit of a **financial services company** in Western Europe followed this practice. In the absence of an effective corporate solution, its managers created a simple spreadsheet as a “talent master tool”. HR and line management used the tool to support performance, potential and preference assessment as well as long-term succession planning. The business unit won a reputation for managing talent better than other units did.

It is also important to have a well-qualified HR leader—one who can support line managers and help them develop the right attitude about people management. That is half the battle, as several companies in our study demonstrated. Simply put, talent impact is augmented by spending time talking about talent—with the talented individuals themselves.

- At a **technology company** in Eastern Europe—a 170-person company that has won awards for its sustainable business growth—HR and talented individuals hold regular one-on-one meetings to informally discuss progress and ideas. Furthermore, after new hires pass the six-month mark, they are invited to share their impressions and ideas with HR. It is a simple but effective mechanism for improving engagement, day in and day out.

Another under-utilized approach: require talented staff to share responsibility for talent management. Only one out of ten smaller businesses systematically does so. At the same time, some companies even leverage their clients as valuable resources:

- **Noventum Consulting**, a 90-person IT consulting company in Germany, trains its top talent and other employees for up to 10 days of individual development per year. The consultancy not only leverages external providers for development activities but also engages leaders from its client base.

Finally, smaller companies should consider what they can do even in tough times. During the global financial crisis, two-thirds of the companies surveyed by CAPITALMENT and EAPM did not see the need to involve talent actively in crisis management. As a result, they missed out on an opportunity to improve execution as well as retention.

- **Titan Cement** offers an impressive example of what real commitment to execution can mean. During Greece’s ongoing economic crisis, when the company’s revenues have dropped precipitously, Titan has done the opposite of what most companies would do in similar circumstances: it has made no reduction to the number of training hours per employee to ensure that it can continue to appreciate, develop and retain talent.

Priority #4:**FOSTER A SUCCESS MINDSET—BY PUTTING A PREMIUM ON BEHAVIOR THAT DRIVES SUCCESS**

Promoting a success mindset—a performance-driving culture—is a challenge for many of the companies we surveyed, especially midsized companies. Midsized companies have relatively more line managers to involve in talent and performance management efforts. The more people to coordinate, the more indirect this task becomes, and the less immediate it seems to line managers. As with most of the top five priorities, lack of management commitment is the primary reason for the urgency and gaps. In addition, companies claim they lack useful ideas and techniques for fostering a success-oriented mindset.

What can companies do to advance a success mindset?

One approach is to choose leaders and managers who are well-endowed with soft skills—communicating, dealing well with others, translating business objectives into useful behavior—and who are well-matched to the desired company culture. These leaders must “talk the walk” and constantly communicate desired behaviors to the entire employee base, augmenting their messages with hands-on examples.

This is what a company could do:

- **Dunapack** launched an open-door-policy program in 2008, inviting employees to suggest ways to improve operations. The Bulgarian company’s general management commits to respond to any suggestion within ten days, and all reasonable suggestions are given a trial. Successful suggestions—such as a recent one regarding production—eliminated as much as two percent of daily waste. The open-door policy increases employee engagement and responsibility, boosting the profiles of employees who make winning suggestions and improving business operations.
- After four years of trial, the 18-people high-tech start-up **Limalive**, based within Philips Neatherlands, was reassembled and finally launched a new lighting product that had received widespread recognition from leading architects. The initial team was reduced to five mature high-performers and 13 new hires with strong motivation and development potential were added. This brought together an agile mix of experience, passion, culture, and knowledge—seen as essential ingredients for development and introduction of a product for global markets. The deliberate choices of talent sent dual messages: that passionate experimentation is essential for innovation, and that talent shares credit for success as well as responsibility for recovering from failure. The start-up went on to become the first in the century-old history of its parent company to bring a new solution from concept to market-ready in ten months. After that, the award-winning start-up installed more than 16 projects in its first six months.
- A small **software engineering company** in Eastern Europe has a “low-performer” program, in which low performers are supported individually. For example, they receive time off to resolve current private issues and get training in expertise. On the other hand, the 130-person software firm offers “acceleration” models to enable its top talent to leapfrog over conventional career stages.

Priority #5:**LAUNCH AN ARRAY OF FOCUSED ACTIVITIES FOR EFFECTIVELY DEVELOPING TALENT**

For all of the companies we surveyed, development was a talent priority. For the strongest performers, especially those with maturing businesses, it represented one of the greatest challenges of all five priorities. The most often-cited reason why companies struggle with development is lack of resources and budget; in fact, of all five priorities, development is the one whose weakness was attributed most to lack of resources (33 percent of respondents). Lack of management commitment drew almost as many responses—alarming, when considering that managers should be role models for development and that 70 to 80 percent of development should happen on the job.

These responses tend to reflect misconceptions about what it takes to launch and sustain an effective development of talent. As with execution, development activities do not necessarily require major investments in tools and expertise.

What does it take to make development activities a permanently effective effort?

For one thing, a smaller company should use sound strategic talent planning to highlight the development needs of different types of talent as they relate to future business needs. It is also crucial to conduct regular assessments of talent. The assessments should do more than evaluate company needs; they should also seek to understand how individuals want to develop and what they are interested in contributing to the company. Once the assessments are complete, line managers must help to determine short-term and long-term needs and allocate resources where they will produce the biggest benefits.

There are several sound practices that companies can pursue—practices that are by no means limited to (nor focused on) standard development programs or trainings. They do not necessarily need to be expensive or complex.

Here are a few snapshots:

- **Mühlebach**, a 20-employee milling company, based in Switzerland, takes a professional, systematic and very inclusive approach to talent—an approach that belies its small size. Employees make their own assessments of performance and potential; their assessments are not limited to their conventional performance reviews. They also regularly propose improvements and personal development—moves that are translated into and followed up in individual action plans. It has been noted that some larger competitors have been emulating business improvements made by Mühlebach.
- **Dunapack** carried out talent screening in 2008 with the goal of developing key employees—and with the side benefit of mitigating retention risk. The process was strongly based on self-nomination, and enabled in part through nominees’ line managers. Candidates had to apply with a “business case” that reflected their competency profiles, hopes for career development, possible development actions, and the benefits that the company would get as a result. Dunapack identified 15 strong candidates for individual development plans, and picked six of them as its top talent. All had to assume responsibility for implementing their own development—and proving its results. The initiative required few resources and was well-tailored to each person and to the business context. In spite of having to compete for talent with nearby multinational companies, Dunapack has managed to retain almost 90 percent of its talented employees since it introduced the program.

Priority #5 Continued:

- **Altana**, the German specialty chemical company, offers an internal “internship” program, in which its employees (including its top talent) can do one- to four-week job rotations anywhere in the world. This informal program has proven to be highly motivating and invaluable for fostering the company’s professional network. It is an inexpensive and very effective element of talent management that is well suited to a smaller, decentralized organization.
- **Kühne und Nagel**, a global logistics company based in Switzerland, innovated by preparing an international talent team for emerging markets—an approach that is entirely applicable for small organizations or cross-company teams. Six of the company’s talents—specifically, those earmarked for opportunities in emerging countries—were assigned to an innovative leader development program: setting up a financially self-sustained learning center in Mongolia with the social business BOOKBRIDGE. The team of six had to deal with very basic logistics infrastructure and administration, with limited time and resources. When the team debriefed, it became clear that the program enabled the members to develop strong new competencies that are relevant to their upcoming roles—and that served their individual development plans well. Additionally, the assignment engaged other employees who became involved by donating books, making this a meaningful effort for the entire company.

- **Titan Cement** has not been deterred from continuing its training activities, lean times or no. To reduce training costs without sacrificing training altogether, the company’s HR team scouted training talent from among its employees. This provided the added benefit of enriching the jobs (and job satisfaction) of the internal trainers, further leveraging underleveraged capacity and saving costs.

As business grows and matures—and context changes—priorities need to be revisited. High-performing companies, for example, emphasize development even more than other companies. They prioritize it as their most important topic. Interestingly, “family balance” is also one of the five top priorities for them—a reminder that performance is not always about getting the last efforts out of top talent but also offering flexible solutions such as part-time leader roles. It is worth noting that these exemplars rank “performance roles” (an engaging mix of accountability, empowerment and flexibility) as top five priority, too—but are less worried about “execution” and “success mindset” when comparing to weaker companies.

WHAT'S YOUR PLAN FOR TALENT MANAGEMENT?

Smaller companies do not need to lose out to larger, resource-rich companies that can woo talent with more generous compensation packages and perks. As new research from sdw¹ underlines, employees are motivated to join and stay with companies for several reasons, not least of them being the quality of their colleagues and the latitude to steer their own development. Span of control, compensation and a path to the C-suite are not the lure to leave, contrary to popular opinion. Smaller businesses offer many of these conditions, in addition to the opportunity for rapid advancement and for making important contributions to the business. So, companies should be willing to expand their definition of the talent pool—in concert with their strategic priorities—and to engage talented people as partners in growth. Both strategies can put them ahead of the competition—big rivals and small.

No small company has the luxury of time to deliberate on the virtues of talent management done right: supplies of qualified talent for today’s jobs are drying up fast. Mastering talent management today does not need to involve hefty investments in time-consuming programs. More than anything, it is about management having the will to prioritize talent management—and the openness to invite participation in talent management from the talented employees themselves. It is also about capitalizing on the proximity to talent in smaller organizations—particularly by having line managers get much better at listening to and learning about talented individuals’ professional desires and ideas for contributing to the company.

The bottom line is this: if a company truly values talent as a strategic resource and gives talent management the attention it deserves, it will be making a crucial investment in strong performance—and paving the way to sustained success.

¹ *Stiftung der Deutschen Wirtschaft (sdw), the Foundation of German Business, sdw alumni and sdw jury member Philipp Zimmermann (CAPTIALED), conducted a recent survey with more than 1000 top talents across industries, functions and seniorities. One aspect surveyed was the importance of 31 reasons for staying in or leaving a job.*

TALENT MANAGEMENT PRIORITIES OF SMALLER BUSINESSES,...

...by region

Talent management topics	Europe	Stronger companies	North	Mid West	South	South East	East
Business anchor							●
Critical segments							●
Pathway options							
Strategic planning	●	●	●	●	●	●	●
Mobilization							
Selection and Integration				●			
Development activities	●	●	●	●			
Performance roles		●		●		●	
Performance assessment			●		●		
Execution	●		●			●	
Impact measurement							
Success mindset	●		●		●	●	
Leader engagement	●	●		●	●	●	●
Peer culture							●
Family balance		●			●		●

...by industry

Talent management topics	Europe	Stronger companies	Bas. Ind., Energy	Process Ind.	ICT, Media	Fin. Serv., Prof. Serv.	Pub., Edu., Soc. Serv.
Business anchor			●				●
Critical segments					●		
Pathway options							
Strategic planning	●	●		●		●	●
Mobilization							
Selection and Integration							●
Development activities	●	●	●	●			●
Performance roles		●			●		
Performance assessment					●		
Execution	●		●	●	●	●	
Impact measurement					●		
Success mindset	●		●	●		●	●
Leader engagement	●	●	●	●		●	●
Peer culture							
Family balance		●					

Source: CAPITALENT-EAPM survey 2011/2012 ● #1 priority ● #2 or #3 priority ● #4 or #5 priority

APPENDIX

THE TALENT TRIANGLE: BENCHMARKING THE VITAL 15

For our survey, we identified 15 vital talent topics within the talent triangle that, when done right constitute sound practices in talent management. Respondents ranked their organizations in these areas, providing insights on the relative ease or difficulty of fulfilling these actions, and evaluating their importance to the company's future performance. We also reviewed how easy or difficult it is for smaller organizations to manage these topics (compared to larger companies). And we looked at how organizations' responses might be perceived by talented employees.

Within business anchor, we benchmarked:

- **Talent anchor:** How well is HR strategy rooted in business strategy? For example, is talent an issue that is embedded in senior management's communications? Does senior management regularly mention the company's people as key to its success?
- **Critical segments:** Are business-critical roles captured in actionable talent segments? And do these segments also reflect the specific preferences of talent?
- **Pathway options:** Does the company create equivalent career paths for specialists and project managers, not only for general-management-track individuals?
- **Strategic planning:** Does the company have differentiated ways of planning the demand and supply of talent (including succession planning)? Are those plans derived from its strategic business planning disciplines?

For talent organization, we looked at:

- **Mobilization:** Is the company mobilizing and attracting enough of the right types of talent?
- **Selection and integration:** Is the company successful at recruiting the right talent and

effective in integrating people so they commit and deliver promptly to the organization's mission and goals?

- **Development activities:** Does the organization provide career development for individuals that addresses the business' needs as well as the individuals' needs and desires?
- **Performance roles:** Is the organization able to create challenging, attractive roles for talent that are flexible enough to leverage each individual's potential?
- **Performance assessment:** Does the organization measure individuals' performance and potential in ways that really matter to the company's performance?
- **Execution:** Does the organization have the right tools, mechanisms and competencies to achieve sound practice?
- **Impact measurement:** Does the organization measure the contribution of talent to the organization's success—and the impact of talent management efforts on business performance?

For talent culture, we explored:

- **Success mindset:** Is there a systematic means of promoting behavior that drives performance? Does the company keep people motivated—and encourage continuous innovation, not only by rewarding success but also by being open to the benefits of experimentation?
- **Leader engagement:** Do leaders believe in and carry out their talent management responsibilities? Are they held accountable for them?
- **Peer culture:** Does the company promote a culture of peer collaboration, both internally and with external groups?
- **Family balance:** Does the company respect the need for individuals to balance work and family life? Are individuals given flexibility in such ways as innovative job design (flex time; being able to be a part-time manager)?

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ABOUT CAPITALENT

CAPITALENT, an independent consulting firm based in Frankfurt, Germany, focuses on talent. CAPITALENT supports companies worldwide on talent management, executive search, management audit, and coaching. Its expertise spans many industries as well as the public sector. Founded in 2008, CAPITALENT was spun out of an international, 40-year-old executive search firm. For more information, please visit www.capitalent.de.



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ABOUT EAPM

The **European Association for People Management (EAPM)** was founded in 1962. Today, the nonprofit umbrella association, which has 31 national member associations throughout Europe, represents professionals specializing in people management. EAPM operates independently of employers, trade unions, governments, and political bodies. Its objectives are to promote and develop knowledge and experience in the HR field and to demonstrate its importance to both public and private sectors. For more information, please visit www.eapm.org.

ACKNOWLEDGEMENTS

The authors wish to extend their sincere appreciation to the EAPM country organizations, the survey participants and to the interview partners throughout Europe for their assistance and for the many vital insights that they shared. They would also like to thank the many individuals who made invaluable contributions to the study and to the development of this report.

The following individuals merit special gratitude:

Michael Baer (sdw), Demian Bern (Visuelle Kommunikation), Stephanie Bird (CIPD), Even Bolstad (HR Norge), John Campbell (Ergo Editorial Services), Jean-Michel Caye (BCG), Dorothee Dohrn (CAPITALENT), Tilman Frank (CAPITALENT), Johannes Giesemann (CAPITALENT), Franziska Hahn (CAPITALENT), Michael Jehrke (CAPITALENT), Andreas Kern (CAPITALENT), Martin Krause (sdw alumni), John Kerr (Ergo Editorial Services), Janice Koch (Westward Eye), Sam Paris (CIPD), Friederike von Redwitz (Amgen), Joachim Skura (CAPITALENT), Rainer Strack (BCG), Julia Straub (IFOK), Volker Wittberg (FHM), Rolf Wöhrle (postfolio), Judith Zimmermann (IFM Heidelberg).

IMPRESSUM

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A REPORT BY CAPITAENT AND THE EUROPEAN ASSOCIATION FOR PEOPLE MANAGEMENT