PROXIMITY

# Proximity Picks

## Volume 2

**Curated Readings on CEO Succession and the Talent Pipeline Dilemma**


**Curated by**

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Claire Hefferon Payne
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Apparently, there aren’t two.”

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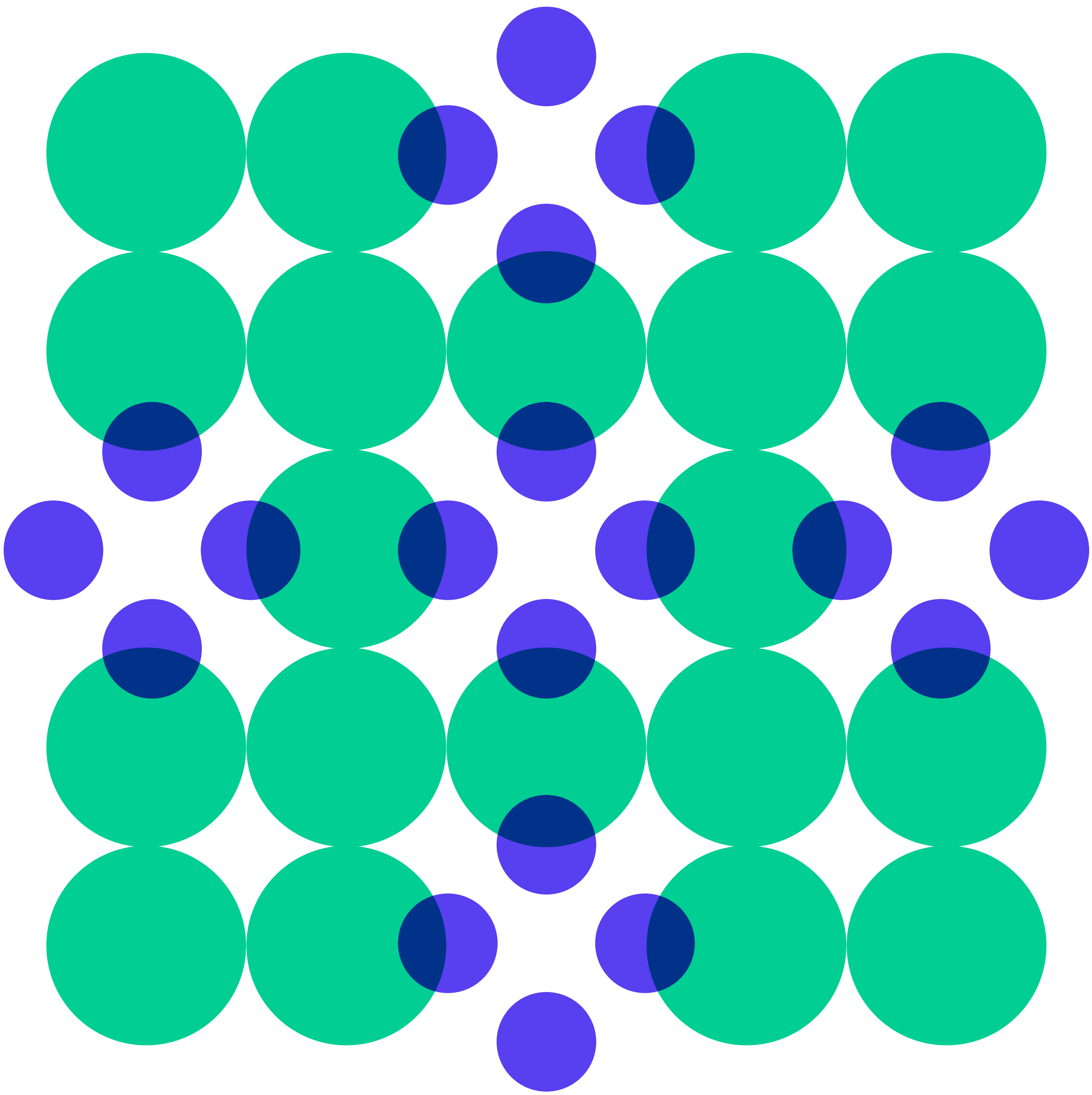
# Introduction



## INTRODUCTION

If the statement rings true that "leadership matters", then it follows that a healthy pipeline of identified ready leaders matters equally. Evidence of continuing hospital CEO recruitment challenges and above average levels of CEO turnover province-wide suggests the pipeline of identified ready leaders for the role must be strengthened.

The identification of exceptional talent rests with the CEO, with line-of-sight from the board. This collection of readings is designed to share the most compelling research and thinking on high potential talent identification with Ontario hospital CEOs and boards. Although there is no single agreed 'best practice' in the literature review, readings strongly support the need for explicit identification of A-talent to prepare for an eventual CEO leadership transition and enhance retention of the highest performers.

This collection of articles largely reflects studies drawn from the corporate world. The learnings are in most instances universal and carry worthwhile relevance for hospitals. Adaptation of the learning to hospital corporation, size, culture and context is encouraged as there is no blanket solution for a sector characterized by its diversity. The collection includes a handful of academic papers in those instances where no general management articles were available.

"A-talent" is defined as being either within your direct senior leadership team, potential leapfrog candidates from elsewhere within your organization and/or standout talent from associated or related entities outside the hospital walls. The need to go outside is most relevant to Small, Rural and Northern hospitals.

### Getting the most out of *Proximity Picks: Curated Readings on CEO Succession and the Talent Pipeline Dilemma*

*Proximity Picks: Curated Readings on CEO Succession and the Talent Pipeline Dilemma* isolates talent identification as a critical process unto itself.

The goal of this volume is to reinforce CEO accountability and board line of sight to identify high potential talent from within the hospital and/or from affiliated entities who clearly demonstrate leadership attributes and potential aligned with the CEO role of the future. Once identified, a customized development pathway becomes essential to enable CEO leadership readiness buttressed by mentorship and sponsorship.

Readings bring forward various perspectives and dilemmas CEOs may face when confronted with the decision to explicitly single out and identify top-tier talent or not. Proximity strongly argues that the Ontario hospital sector has little choice but to act. All Ontario hospitals will benefit over time if the accountability to develop a robust pipeline of exceptional talent is actioned, and if all hospitals are intentional about growing a robust pool. This is a shared collective challenge for the sector.

CHAPTER ONE

# The Dual Accountability of Hospital CEO and Board

Too often identifying exceptional talent with CEO potential is left too late or an afterthought. This leaves hospital boards unprepared for an inevitable CEO leadership transition.

It falls directly within the purview of the CEO to actively identify exceptional talent demonstrating aptitude, appetite, performance and potential to lead a complex hospital. This practice is supported by the CHRO and other members of the senior leadership team with line of sight from the board.

1. **Attracting and Retaining The Right Talent**
   Keller and Meaney, McKinsey and Company, 2017

2. **Make Your Company a Talent Factory**
   Ready and Conger, Harvard Business Review, 2007

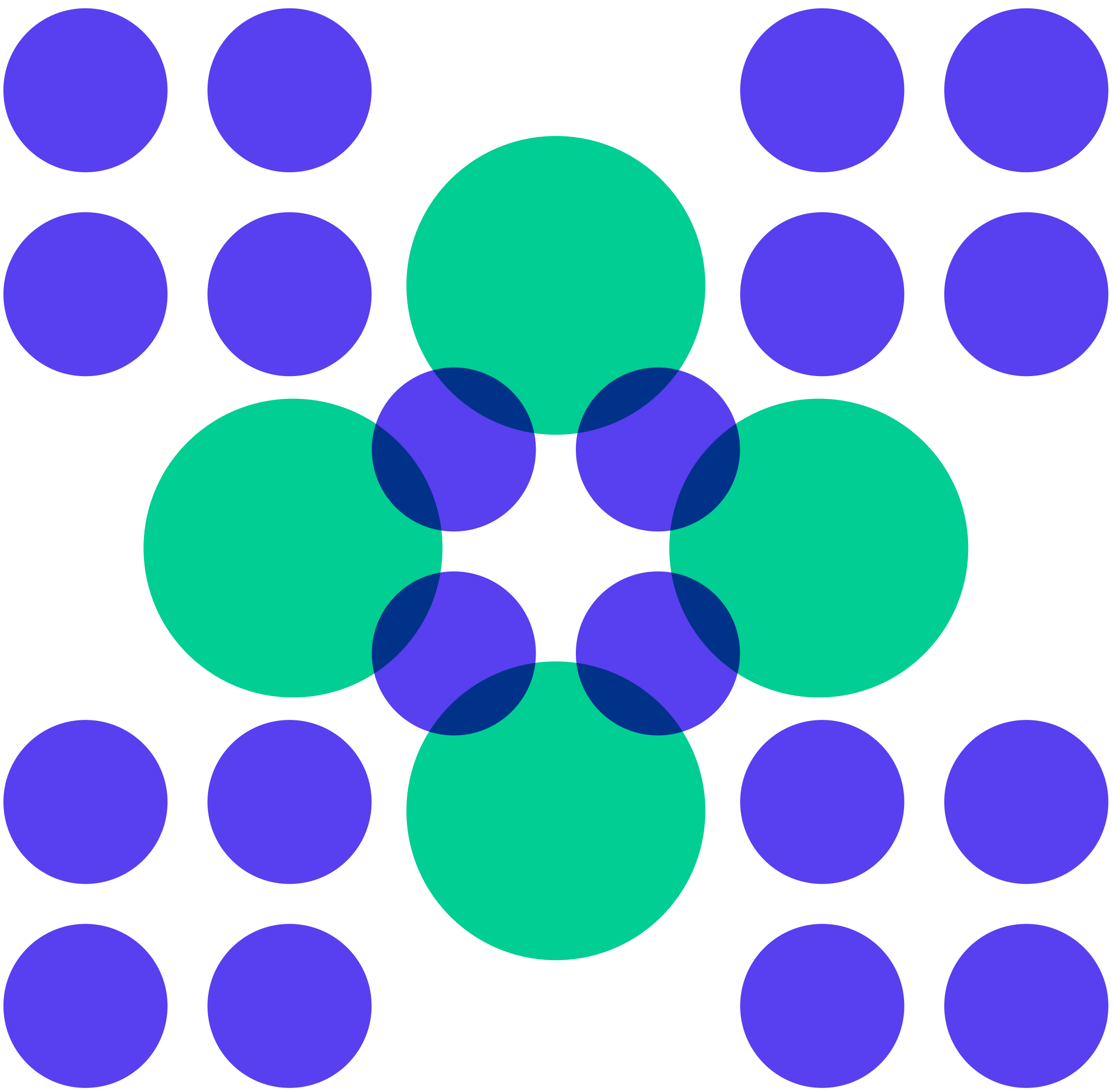
3. **The Talent-Intelligent Board**
   Konigsburg et al., Deloitte Global Services Ltd., 2013

4. **How Well do Corporate Directors Know Senior Management?**
   Larcker et. al, The Conference Board Governance Center, 2014

McKinsey and Company 2017

# Attracting and Retaining The Right Talent

**SCOTT KELLER | MARY MEANEY**



**THE BEST WORKERS DO THE BEST AND THE MOST WORK. BUT MANY COMPANIES DO AN AWFUL JOB OF FINDING AND KEEPING THEM.**

## WHY IS TALENT IMPORTANT?

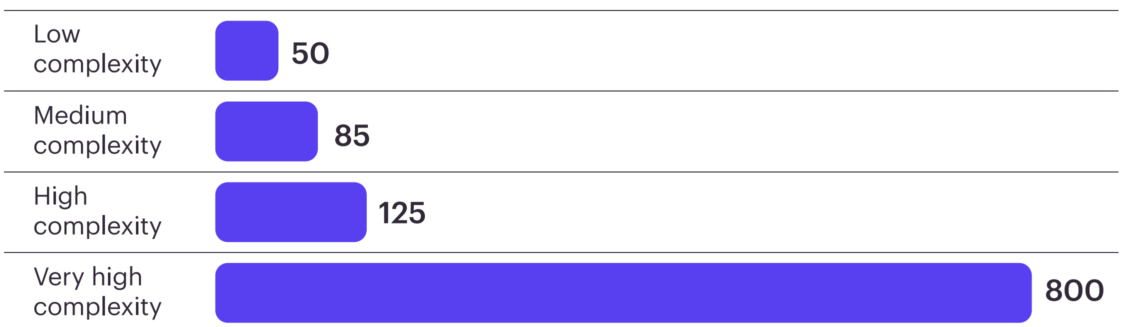
### Superior talent is up to eight times more productive

It's remarkable how much of a productivity kicker an organization gets from top talent. A recent study of more than 600,000 researchers, entertainers, politicians, and athletes found that high performers are 400 percent more productive than average ones.[2] Studies of businesses not only show similar results but also reveal that the gap rises with a job's complexity. In highly complex occupations—the information-and interaction-intensive work of managers, software developers, and the like—high performers are an astounding 800 percent more productive (*Exhibit 1*).

*Exhibit 1*

**The relationship between quality of talent and business performance is dramatic.**

Productivity gap between average performers and high performers, by job complexity, %




*Source: "McKinsey Global Survey: War for Talent 2000," refreshed in 2012*

Suppose your business strategy involves cross-functional initiatives that would take three years to complete. If you took 20 percent of the average talent working on the project and replaced it with great talent, how soon would you achieve the desired impact? If these people were 400 percent more productive, it would take less than two years; if they were 800 percent more productive, it would take less than one. If a competitor used 20 percent more great talent in similar efforts, it would beat you to market even if it started a year or two later.

You get even more remarkable results comparing the productivity of the top and bottom 1 percent. For unskilled and semiskilled jobs, the top 1 percent are three times more productive; for job

[1] Scott Keller and Mary Meaney, Leading Organizations: Ten Timeless Truths, London: Bloomsbury Publishing, April 2017, bloomsbury.com.

[2] Herman Aguinis and Ernest O'Boyle Jr., "The best and the rest: Revisiting the norm of normality in individual performance, "Personal Psychology, Volume 65, Issue 1, Spring 2012, pp.79–119, onlinelibrary.wiley.com.

of middling complexity (say, technicians and supervisors), 12 times more. One person in the top 1 percent is worth 12 in the bottom 1 percent. For high-complexity jobs, the differential is so big it can't be quantified.[3]

The late Steve Jobs of Apple summed up talent's importance with this advice: "Go after the cream of the cream. A small team of A+ players can run circles around a giant team of B and C players."[4] Management guru Jim Collins concurred: "... the single biggest constraint on the success of my organization is the ability to get and to hang on to enough of the right people."[5]

## Great talent is scarce

The term "war for talent" was coined by McKinsey's Steven Hankin in 1997 and popularized by the book of that name in 2001.[6] It refers to the increasingly fierce competition to attract and retain employees at a time when too few workers are available to replace the baby boomers now departing the workforce in advanced economies.

Fast forward to the wake of the Great Recession, and the war for talent turned into the war for jobs. In economies gripped by financial crises, unemployment hit levels not seen since the early 1980s, so there was no shortage of applicants for many openings. When Walmart launched a new Washington, DC, store in 2013, for example, it received 23,000 applications for 600 positions.

It was harder to get entry-level work there than to be accepted by Harvard: 2.6 percent of Walmart applicants made it through, as opposed to 6.1 percent for the Ivy League university.[7]

Yet this didn't end the war for talent. In medium- and higher-complexity positions, where stronger performers have an increasingly disproportionate bottom-line impact, the opposite was true. In those uncertain times, gainfully employed talent became less likely to change employers, so people who had an advantage going into the crisis had an even bigger one. Further, pressure to reduce HR costs made it harder to identify and attract the most talented people. Everything suggests that the war for talent will rage on. "Failure to attract and retain top talent" was the number-one issue in the Conference Board's 2016 survey of global CEOs—before economic growth and competitive intensity (*Exhibit 2*). In more complex jobs, this will continue to be true as baby boomers (and their long experience) exit the workforce and technology demands more sophisticated skills.

A McKinsey Global Institute study[8] suggests that employers in Europe and North America will require 16 million to 18 million more college-educated workers in 2020 than are going to be available. Companies may not be able to fill one in ten roles they

[3] John E. Hunter, Michael K. Judiesch, and Frank L Schmidt, "Individual differences in output variability as a function of job complexity," Journal of Applied Psychology, February 1990, Volume 75, Number 1, pp. 28–42, psycnet.apa.org.

[4] TalentTrust, "How Steve Jobs got the A+ players and kept them," blog entry by Kathleen Quinn Votaw, October 31, 2011, talenttrust.com.

[5] Jim Collins, Good to Great: Why Some Companies Make the Leap...And Others Don't, New York: Harper Business, 2001, harpercollins.com.

[6] Beth Axelrod, Helen Handfield-Jones, and Ed Michaels, The War for Talent, Boston: Harvard Business School Publishing, 2001.

[7] Ashley Lutz, "Applicants for jobs at the new DC Walmart face worse odds than people trying to get into Harvard," Business Insider, November 19, 2013, businessinsider.com.

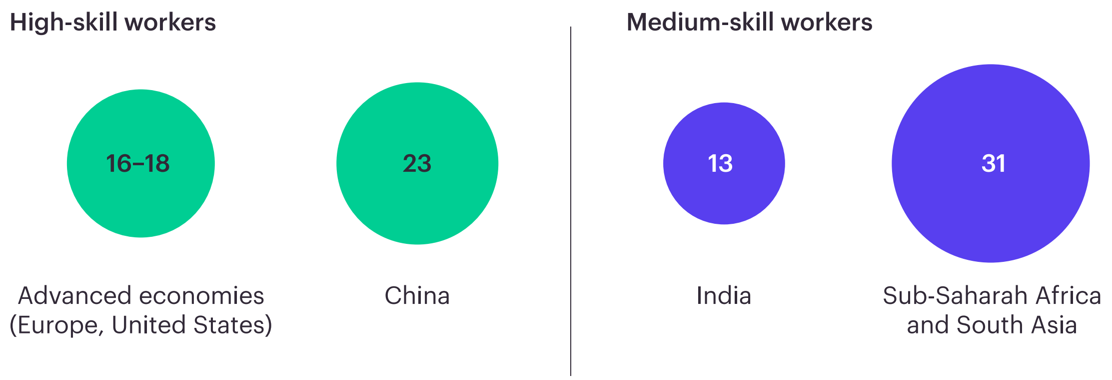
[8] McKinsey Global Institute, The world at work: Jobs, pay, and skills for 3.5 billion people, June 2012, McKinsey.com.

need, much less fill them with top talent. Yet in advanced economies, up to 95 million workers could lack the skills required for employment. Developing economies will face a shortfall of 45 million workers with secondary-school educations and vocational training.[9]

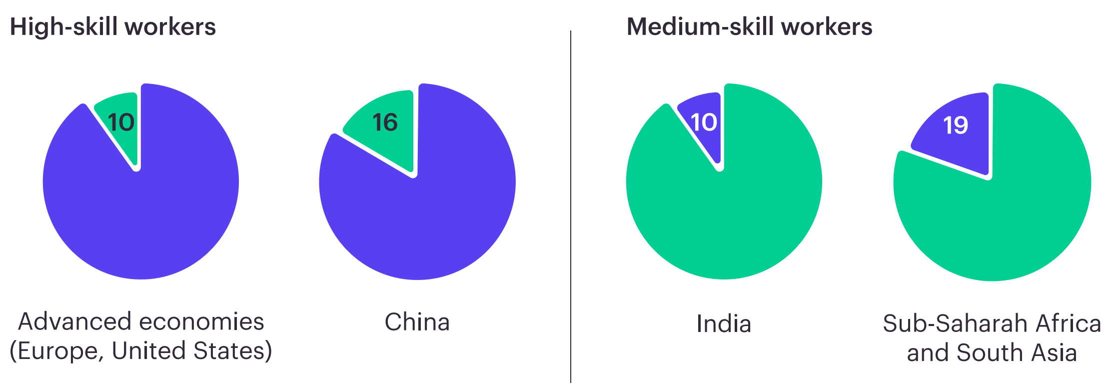
*Exhibit 2*

**Almost one-third of senior leaders cite finding talent as their most significant managerial challenge.**

Predicted shortage of talent by 2020, millions




Predicted shortage of talent by 2020, % of total demand




*Source: The Conference Board*

## Most companies don't get it right

Since business leaders know that talent is valuable and scarce, you might assume that they would know how to find it. Not so (*Exhibit 3*). A whopping 82 percent of companies don't believe they recruit highly talented people. For companies that do, only 7 percent think they can keep it.[10] More alarmingly, only 23 percent of managers and senior executives active on talent related topics believe their current acquisition and retention strategies will work.[11]

These leaders aren't being humble—most companies just aren't good at this stuff. Gallup reported that in a 2015 survey, more than 50 percent of respondents were "not engaged"; an addi-

[9] Richard Dobbs, Susan Lund, and Anu Madgavkar, "Talent tensions ahead: A CEO briefing," McKinsey Quarterly, November 2012, McKinsey.com.

[10] "McKinsey Global Survey: War for talent 2000," extensive research conducted 1997 to 2000; survey of more than 12,000 executives at 125 midsize and large companies.

[11] The state of human capital 2012: False summit, a joint report from McKinsey and the Conference Board, October 2012, McKinsey.com.

tional 17.2 percent were "actively disengaged."[12] Related surveys report that 73 percent of employees are "thinking about another job" and that 43 percent were more likely to consider a new one than they had been a year earlier.[13]

The fact that the Baby Boomers' decades of knowledge and experience are now leaving the workplace forever makes this state of play more unsettling. At the natural-resources giant BP, for example, many of the most senior engineers are called "machine whisperers" because they can keep important, expensive, and temperamental equipment online. If high-quality talent isn't brought in to replace such people, the results could be catastrophic.

And the scarcer top talent becomes, the more companies that aren't on their game will find their best people cherry-picked by companies that are. In future, this will be even more likely, since millennials are far less loyal to their employers than their parents were. The Bureau of Labor Statistics says that workers now stay at each job, on average, for 4.4 years, but the average expected tenure of the youngest workers is about half that.[14] People often underestimate the cost of turnover: the more information- and interaction-intensive the job, the greater the threat to productivity when good people leave it, and the more time and money must be invested in searching and onboarding. And if competitors poach your talent, they get an insider's understanding of your strategies, operations, and culture.

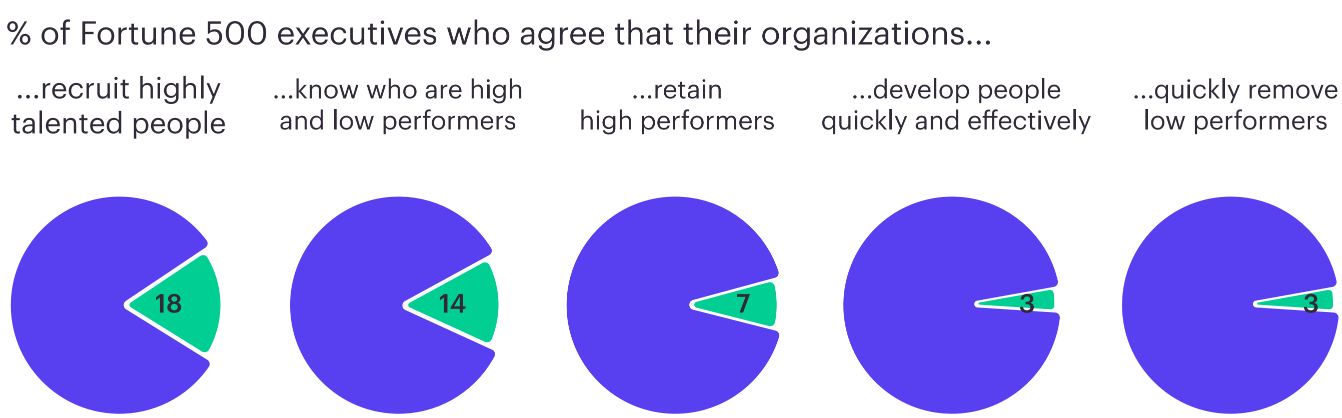
Talent matters, because its high value and scarcity— and the difficulty of replacing it—create huge opportunities when companies get things right. Let's now turn to how they can do that.

[12] Amy Adkins, "Employee engagement in U.S. stagnant in 2015," Gallup News, January 13, 2016, gallup.com.

[13] Appirio, "This year in employee engagement 2016: Trends to watch," blog entry by Jiordan Castle, March 7, 2016, appirio.com.

[14] Jeanne Meister, "The future of work: Job hopping is the 'new normal' for millennials," August 14, 2012, forbes.com.

**A whopping 82 percent of Fortune 500 executives don't believe that their companies recruit highly talented people.** *Exhibit 3*




*Source: "McKinsey Global Survey: War for Talent 2000," refreshed in 2012*

## WHAT ARE THE BIG IDEAS?

### Focus on the 5 percent who deliver 95 percent of the value

Companies go through cycles of initiatives to improve their talent processes. Yet they reap only incremental improvements, and the vast majority of leaders report that their companies neither recruit enough highly talented people nor believe that their current strategies will work.

What do these leaders miss? Let's consider American football. If you asked people who is the most highly paid player on a team, they would correctly say the quarterback, the key person in the vast majority of plays. People would probably say that the second most highly paid player was the running back or the wide receiver, since they work directly with the quarterback to advance the ball. These people are wrong. It's the relatively unnoticed left tackle, who protects the quarterback from things he can't see and could injure him.

Some employees disproportionately create or protect value, and not all of them are obvious. A navy, for example, should obviously ensure that it has the best and brightest people commanding fleets of nuclear submarines. Equally, however, it should ensure that it attracts superior talent to the role of the IT-outage engineer, who prevents catastrophes for the crew, the environment, and humanity. In a world of constrained resources, companies should focus their efforts on the few critical areas where the best people have the biggest impact. Start with roles, not processes (which create generic solutions that don't meaningfully improve results) or specific people (who might help you in particular situations but don't build institutional muscle).

Picking the right battles isn't easy—you must understand the true economics of value creation in specific roles. That's precisely why this can be one of your secret weapons in the war for talent.

### Make your offer magnetic—and deliver

Leaders know the term "employee value proposition," or EVP: what employees get for what they give. "Gives" come in many flavors—time, effort, experience, ideas. "Gets" include tangible rewards, the experience of working in a company, the way its leadership helps employees, and the substance of the work (*Exhibit 4*). If your EVP is truly stronger than the competition's, you will attract and retain the best talent. But for three reasons, few companies have EVPs that meaningfully help them win this war:

**Not distinctive.** A typical human-resources department spends months determining what employees want—a great job, in a great company, with great leaders, and great rewards. HR then says the value proposition should deliver all this, so the EVP resembles that of every business that's gone through the same process. It's better for companies to stand out on one dimension while not ignoring the others. Work for Google if you want to face complex challenges, for Virgin if Richard Branson's leadership stirs you, or for Amgen if you aspire to "defeat death."

**Not targeted.** Although it's fine to have an overall EVP, what matters most is a winning EVP for the 5 percent of roles that matter most. If data scientists are hugely important, for example, you'll want an EVP that lets them invent things; offers a clear, rapid career progression; and helps them have a big impact.[15]

**Unreal.** An attractive EVP cooked up by HR and pushed through PR used to help secure the best talent. In the long term, however, this was always a losing proposition, since great people would quickly become disillusioned if the reality didn't measure up. Today, however, talent won't buy such promises at all. Employees are a more trusted source of information about working conditions than CEOs or HR chiefs.[16] The same Internet and social media that help customers investigate product claims do the same thing for EVPs. Sites such as Glassdoor or Job Advisor offer peer ratings and reviews of what it's really like to work for a company. Your EVP can't be spin—it has to be distinctive, targeted, and real.

## Technology will be the game changer

Michael Lewis's book Moneyball[17] pits the collective old-time wisdom of baseball players, managers, coaches, scouts, and front offices against rigorous statistical analysis in determining which players to recruit. Analysis wins, changing the game forever. Could the same be true for recruiting top talent?

When the National Bureau of Economic Research looked into this, it pitted humans against computers for more than 300,000 hires in high-turnover jobs at 15 companies. Human experience, instinct, and judgment were soundly defeated: people picked by computers stayed far longer and performed just as well or better.[18] This wasn't the only such finding. University of Minnesota professors analyzed 17 studies and found that hiring algorithms outperform humans by at least 25 percent. "The effect holds in any situation with a large number of candidates, regardless of whether the job is on the front line, in middle management, or (yes) in the C suite."[19]

Many leaders find this hard to stomach, but some companies are abandoning old ideas. The waste company Richfield Management, for example, uses an algorithm to screen applicants for character traits suggesting a tendency to abuse workers' compensation. Claims have since dropped by 68 percent.[20]

[15] "Five ways to attract and retain data scientists," Kellogg Insight, October 15, 2015, insight.kellogg.northwestern.edu.

[16] Susan Adams, "Trust in CEOs plummets, but still beats trust in government," January 23, 2012, forbes.com.

[17] Michael Lewis, Moneyball: The Art of Winning an Unfair Game, New York: W. W. Norton, 2003, wwnorton.com.

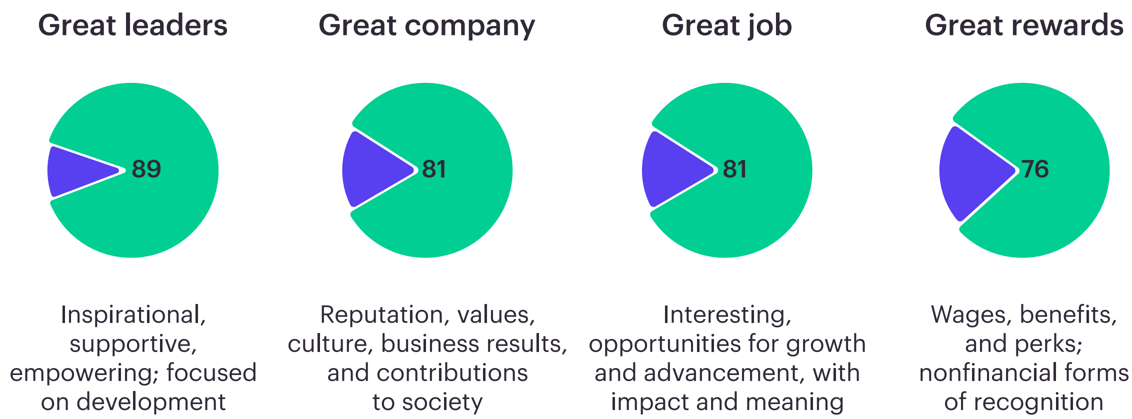
[18] Rebecca Greenfield, "Machines are better than humans at hiring the best employees," November 17, 2015, bloomberg.com.

[19] David M. Klieger, Nathan R. Kuncel, and Deniz S. Ones, "In hiring, algorithms beat instinct," May 2014, Volume 92, Number 5, hbr.org.

[20] Joseph Walker, "Meet the new boss: Big data," Wall Street Journal, September 20, 2012, wsj.com.

*Exhibit 4* **One of the four elements most valued by top talent should be a source of distinctiveness.**

% of employees satisfied when their companies deliver




*Source: "McKinsey Global Survey: War for Talent 2000," refreshed in 2012*

After Xerox replaced its recruitment-screening process with an online test from Evolve, attrition declined by 20 percent.[21]

HR software systems from Oracle, SAP's SuccessFactors, and Workday already gather information through sources such as LinkedIn to provide advanced warning when top talent may be thinking about jumping ship. At McKinsey, we used machine-learning algorithms to determine the three variables driving 60 percent of the attrition among our managers. Unexpectedly, all three are unrelated to pay, travel, or hours worked.

Although people analytics is a field still in its infancy, it's gaining speed. In 2016, only 8 percent of companies reported that they were fully capable of using predictive modeling, but that was up from 4 percent in 2015.[22] Leaders who don't implement concrete plans to leverage technology in the war for talent will quickly fall behind. Yet machines alone won't win it. In 1997, IBM's Deep Blue computer thrashed grandmaster Gary Kasparov. Today, however, the world's best chess players are neither computers nor humans, but human teams playing alongside computers.[23] That will be true in business, too.

## HOW DO I MAKE IT HAPPEN?

The new leader of a major US public institution had a mandate for change. Her department failed to meet the budget for five years. The press was having a field day with tales of incompetence, inefficiency, and bureaucracy gone mad. Morale was extremely low; key talent was leaving. The leader felt she knew what had to be fixed, but she didn't have the talent. There was no quick fix—each division had its own approach to recruiting, and all were consumed with their immediate needs. The defectors were mostly the higher performers and specialist talent the organization wanted to keep.

### 1. Aspire

In the leader's words, a team was commissioned to "fix the leaky bucket, and fill it with the finest stuff imaginable!" Core members from each division populated a task force to meet the challenge. Division leaders were told they were on the hook. The team first determined the talent requirement for the organization's five-year plan. Two roles were especially important: general managers and data-analytics specialists. The team then coupled this demand view of talent with a supply view and identified the gaps. Senior leaders gave the team a mandate for bold action.

## 2. Assess

With the priorities established, the team took a deep dive into the current mess. What did recruits in each target segment care about? How did the institution compare with their other options? Why were people in key roles departing? Which current approaches were and weren't working? Using interview techniques to get behind superficial answers, the team gathered qualitative data. Quantitative data were generated by predictive analytics algorithms that determine patterns and an analysis of how general managers spent their time.

The organization's value proposition—the promise of interesting work, on-the-job development, and an attractive, flexible career path—turned out to be on target. However, the reality didn't live up to it. When recruits called friends hired previously, they heard that the organization had gone "bureau-crazy." Recruiters knew this, but their incentives were to get people through the door, so they hyped roles to meet short-term goals. Good talent left quickly, while others, happy with the security and relatively high pay, "quit and stayed," remaining on the payroll but contributing little.

The team found that specialist candidates wanted a different value proposition: deeper technical development, opportunities for special projects, a more relaxed and informal environment, and freedom from administrative tasks.

## 3. Architect

The working team recommended two discrete career paths, for generalists and specialists. The role of general managers would be adjusted to let them play more of a coaching (rather than a coordination) role. For data analysts, the team proposed more relaxed, informal recruitment events on school campuses and a stronger referral program. Predictive analytics showed that the organization had significant weaknesses for some roles. Its leaders agreed to "segment of one" discussions with the highest performers to understand their issues and fix them quickly.

Analytics suggested that ten vital leaders might be on the verge of leaving. They were engaged to help reinvent the EVP for the general-manager role—an approach that not only produced better answers but also helped to promote retention. Further changes were proposed for the annual succession-planning process (for instance, focusing on pivotal roles) and the recruitment process, to make both more efficient.

21 Tom Starner, "The recruiting game," Human Resource Executive Online, May 7, 2014, hreonline.com.

22 Josh Bersin, Laurence Collins, David Mallon, Jeff Moir, and Robert Straub, "People analytics: Gaining speed," February 29, 2016, dupress.deloitte.com.

23 Chris Baraniuk, "The cyborg chess players that can't be beaten," BBC Online, December 4, 2014, bbc.com.

## 4. Act

The leader and top team led from the front—for example, by personally attending the newly overhauled top-talent development programs—to communicate the importance of making the target EVP real and vibrant. She quickly became known for asking two questions in every performance dialogue: "what are your top five to seven priorities?" and "who are your top five to seven most talented leaders?" People learned that there should be a match between the answers. A talent office created to ensure progress reported on key metrics, such as time and cost to hire, as well as acceptance and attrition rates (overall and for key talent). These were studied with as much intensity as operational and financial metrics. To institutionalize transparency, the talent office developed an interactive dashboard with metrics on hiring, quality, fit, and efficiency.

## 5. Advance

The results appeared quickly: employee engagement shot up and attrition declined, especially among the most recent hires. Acceptance rates started improving, and employees became a powerful recruiting source. HR launched "choose who you want to work with" campaigns and made the most dynamic leaders and specialists "recruiting captains" for key campuses and career fairs.

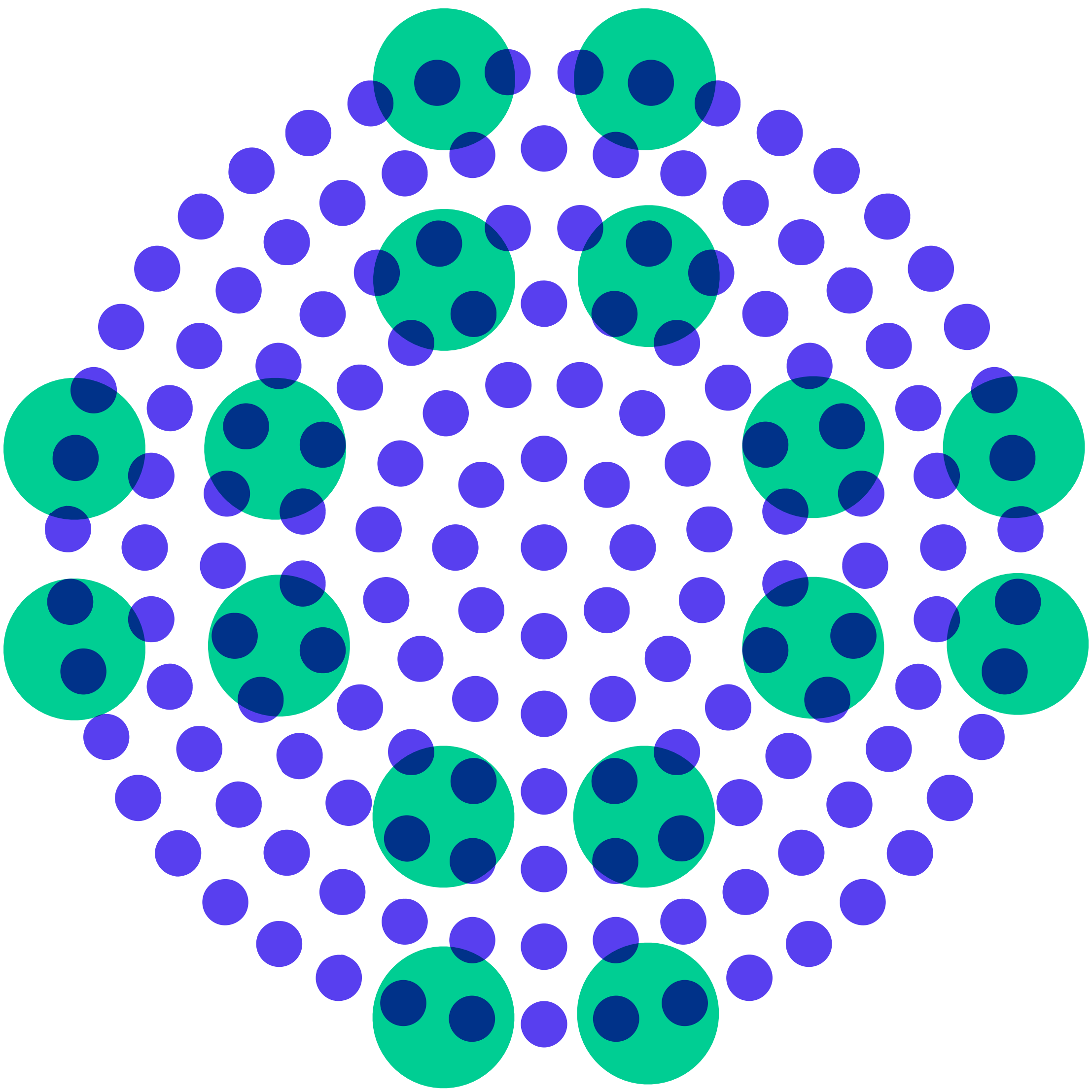
Eighteen months later, after rising nearly 40 spots in the public sector's Best Place to Work ranking, the organization found it easier to access talent, especially data scientists. Attrition dropped to historic lows, particularly in critical general management and specialist roles. As a final sign of success, instead of trumpeting the organization's downward spiral, headlines announced the bold new agenda and leadership.

**Scott Keller** is a senior partner in McKinsey's Southern California office, and **Mary Meaney** is a senior partner in the Paris office.

Harvard Business Review 2007

# Make Your Company a Talent Factory

DOUGLAS A. READY | JAY A. CONGER



Harvard Business Review
www.hbrreprints.org

*Stop losing out on lucrative business opportunities because you don't have the talent to develop them.*

# Make Your Company a Talent Factory

by Douglas A. Ready and Jay A. Conger

Included with this full-text *Harvard Business Review* article:



Reprint R0706D

# Make Your Company a Talent Factory

## The Idea in Brief

An astonishing number of companies are struggling to fill key positions. This talent shortage is putting an enormous strain on their potential to expand into new markets. One London-based real estate development firm recently had to pass on a €500 million major reconstruction job in Berlin after realizing it hadn't groomed anyone capable of leading the project.

Talent shortages have two causes: Companies' talent development strategies are out of sync with their strategic goals. And senior executives lack a deep-seated commitment to talent management.

To create a free-flowing pipeline of current and future leaders, Ready and Conger recommend marrying "functionality" (rigorous talent processes that support your company's strategic objectives) with "vitality" (a passion for talent cultivation among executives). At Procter & Gamble, for example, the CEO and senior team personally teach all the leadership development courses for the company's top 300 executives.

## The Idea in Practice

**BUILDING FUNCTIONALITY**

Ready and Conger recommend these processes to help you put the right people with the right skills in the right place at the right time:

- **Help people understand your strategic objectives.** For example, financial services giant HSBC holds conferences to educate employees about the firm's strategy for increasing cross-unit collaboration and to highlight collaborative initiatives. At one conference, some general managers explained how they transferred a client from the commercial banking unit to the private banking unit. Previously, the first unit to "own" that client wouldn't have shared him with other units, because the original unit wanted to still be associated with that client's revenues. After each conference, participants are asked to commit to doing one or two things differently to strengthen the firm's collaborative capabilities.
- **Groom people for complex, challenging jobs.** Consumer products company P&G's growth strategy hinges on winning in emerging markets. To help high-potential employees advance, the company moves them through a portfolio of senior-level jobs categorized according to strategic challenges, size of the business, and complexity of the market. First-time general managers might initially take a relatively small country-manager position and then be placed in charge of larger countries and, later, of regions.

**FOSTERING VITALITY**

To foster vitality:

- **Build commitment to talent development.** P&G hires 90% of its entry-level managers straight from universities and grows their careers over time. It also sponsors a college intern program that offers participants chances to assume real responsibility by working on important projects. The company takes on former interns as full-time employees at a percentage well above that of most competitors, modeling commitment to talent development.
- **Encourage engagement.** HSBC requires each unit to have a talent implementation strategy. These plans explicitly link a unit's growth objectives to its people development activities. The corporate head of talent works closely with each unit to develop its proposed strategy and presents the aggregated plans to the group head office, highlighting any talent gaps that could threaten the firm's growth objectives. This process keeps talent management high on the agendas of line and corporate leaders, and prevents them from getting distracted by seemingly more pressing problems.
- **Ensure accountability.** Hold all managers and executives accountable for doing their part to make talent processes work. P&G's CEO A.G. Lafley claims ownership of career planning for all the general managers, vice presidents, and talent pools involved in the company's top 16 markets, customers, and brands.

*Stop losing out on lucrative business opportunities because you don't have the talent to develop them.*

# Make Your Company a Talent Factory

by Douglas A. Ready and Jay A. Conger



Despite all that is known about the importance of developing talent, and despite the great sums of money dedicated to systems and processes that support talent management, an astonishing number of companies still struggle to fill key positions—which puts a considerable constraint on their potential to grow. We conducted a survey of human resources executives from 40 companies around the world in 2005, and virtually all of them indicated that they had an insufficient pipeline of high-potential employees to fill strategic management roles.

The problem is that, while companies may have talent processes in place (97% of respondents said they have formal procedures for identifying and developing their next-generation leaders), those practices may have fallen out of sync with what the company needs to grow or expand into new markets. To save money, for example, some firms have eliminated the position of country manager in smaller nations. Since that role offers high-potential employees comprehensive exposure to a broad range of problems, however, the company's initial savings may well be outweighed by the loss of development opportunities.

Even if a company's practices and supporting technical systems are robust and up to date, talent management will fail without deep-seated commitment from senior executives. More than half the specialists who took part in our research had trouble keeping top leaders' attention on talent issues. Senior line executives may vigorously assert that obtaining and keeping the best people is a major priority—but then fail to act on their words. Some managers still believe they can find talented employees by paying a premium or by using the best executive recruiters, while others are distracted by competing priorities. Passion must start at the top and infuse the corporate culture; otherwise, talent management processes can easily deteriorate into bureaucratic routines.

The challenge of filling key positions has, in a sense, crept up on businesses, many of which used to view development almost as an employee benefit. Today, demographic shifts—notably, the impending retirement of baby boomers—along with changing business conditions, such as significant growth in largely unfamiliar markets, like China, have combined to produce something of a perfect storm. Leadership development has become a much more strategic process, and faulty processes and executive inattention now carry a tangible cost. We've attended multiple executive committee meetings where companies have been forced to pass on hundreds of millions of dollars of new business because they didn't have the talent to see their growth strategies through to fruition. One London-based real estate finance and development firm, for instance, was gearing up for a major reconstruction job in Berlin—an effort that would represent not only a €500 million boost in revenues over two years, but also an opportunity to get in on the ground floor of many other projects in that part of the world. When the executive committee reviewed the list of people who might be ready to take on such an assignment, the CEO noticed that the same names appeared as the only candidates for other critical efforts under consideration. And when he asked his business unit heads for additional prospects, he was told that there weren't any. The firm's growth strategy hinged on these projects, but the company had failed to groom people to lead them.

Some companies, by contrast, face the future with confidence because they don't just manage talent, they build what we call "talent factories." In other words, they marry *functionality*, rigorous talent processes that support strategic and cultural objectives, and *vitality*, emotional commitment by management that is reflected in daily actions. This allows them to develop and retain key employees and fill positions quickly to meet evolving business needs.

Consider, for example, how one talent factory, consumer products icon Procter & Gamble, found a leader for a burgeoning joint venture with an entrepreneur in Saudi Arabia. The role required someone with emerging markets experience, who had worked in other countries and in the laundry detergent business, and who was ready and willing to relocate on short notice to Saudi Arabia. For most companies' HR departments, finding and hiring such a senior manager would entail protracted dialogue with internal and external candidates and might well end in failure. P&G, however, searched its global database of talent profiles and came up with five very strong potential candidates in just a few minutes. In the end, they found just the right fit, and the new manager was fully on board three months after the start of the search.

In this article, we look at the people processes in two talent factories: Procter & Gamble and financial services giant HSBC Group. We selected these companies because even though they approach talent management from slightly different directions, both illustrate the power of a twin focus on functionality and vitality. P&G has established a plethora of elaborate systems and processes to deploy talent; HSBC has worked mightily to incorporate talent processes into the firm's DNA. Both companies can claim a free-flowing pipeline of current and future leaders.

## Functionality: Effective Execution

Functionality refers to the processes themselves, the tools and systems that allow a company to put the right people with the right skills in the right place at the right time, as P&G did in Saudi Arabia. Good design isn't just a matter of technical excellence; clearly linking processes to the company's objectives is equally important. In particular, processes should support most CEOs' top concerns: driving performance and creating an effective climate.

So, for example, after years of growth through acquisition, HSBC in 2002 shifted its strategy to focus on organic growth. The goal was to strengthen local resources in multiple geographies for the firm's increasingly global customers. Achieving this objective required an accompanying cultural shift, since HSBC had always operated as a confederation of fiercely independent, stand-alone businesses. As part of the move, the bank committed to a new brand promise: to be "the world's local bank," guaranteeing the availability of a local resource for customers, wherever they do business. Stephen K. Green, HSBC's chair, views performance and climate as inextricably linked: "If we don't create the proper climate internally and live up to our brand promise, we won't be able to achieve our strategic objective—managing for growth."

To develop local talent while maintaining

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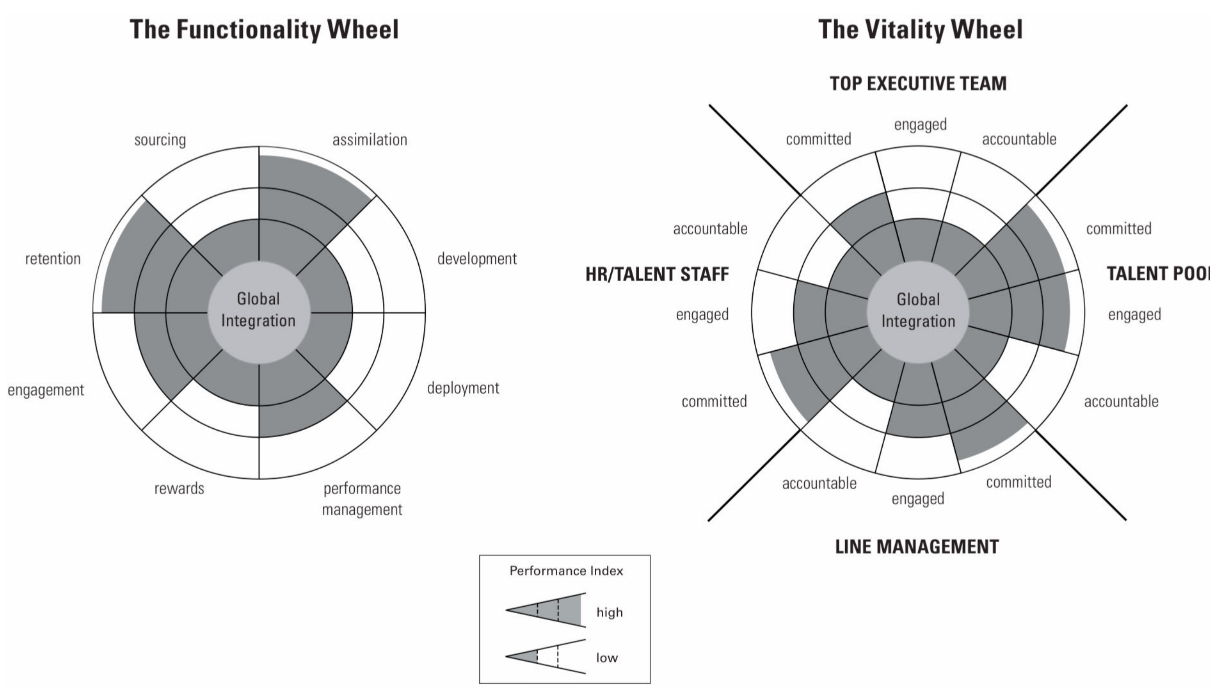
## Mapping Functionality and Vitality

The functionality and vitality of your company's talent management processes determine how well you can groom your high-potential employees to fill strategic management roles. To show how to assess these processes, we've mapped the strengths and weaknesses of a typical, though hypothetical, company. In this example, the organization is pursuing a "one company" strategy, hoping to achieve better global integration. In other words, it wants to be able to serve its customers anywhere they do business. Clearly, this requires a talent pool that can easily move across regional, functional, and unit boundaries, as well as the capacity to find and develop local talent "on the ground."

The Functionality Wheel shows that this firm is weak on sourcing, deployment, development, and rewards; better at retention, assimilation, performance management, and engagement. The firm may be able to keep its local talent happy and productive, but it struggles to place people in key positions or move them across unit or geographic borders.

Corporate vitality is manifested by the passion for talent management among four constituencies: the top team, line management, human resources, and talent itself. As the Vitality Wheel shows, this company neither champions the process nor holds other key stakeholders accountable for developing talent. Despite high commitment, all the segments in this firm are weak on accountability, and the top team is weak on engagement as well. Since a company's talent management process is only as strong as its weakest link, and vitality falls apart without mutual accountability, this company plainly has a lot of work to do.

Identifying weaknesses in functionality and vitality can help a company clarify its talent management agenda. If this organization wanted to grow in China, for instance, it could improve its sourcing by developing relationships with Chinese universities.




**The Functionality Wheel, on the left, shows that this company's processes are weak on sourcing, development, deployment, and rewards; better when it comes to retention, assimilation, performance management, and engagement. The Vitality Wheel, right, demonstrates a high level of commitment, but engagement—the inclination to dig into the work of talent management—is low among top managers. As for accountability, the company is weak across the board.**

global standards, HSBC centrally designed its human resources practices and policies but built in some flexibility to accommodate local variations. The firm now has companywide processes for assessment, recruiting, performance and career management, and leadership development, but local offices can adapt them (within limits) to their own resource capabilities and cultural requirements. When making assessments, for example, each office must choose at least two from a menu of tools, such as psychometric tests, individual interviews that probe people's aspirations, and 360-degree feedback. They must also use a standard rating scale and include performance data from the most recent three years. This way the company can ensure a degree of objectivity and establish a common measurement language across all the businesses and locations.

To help instill a global mind-set, HSBC created a system of talent pools that track and manage the careers of high-potentials within the firm. After those employees have been identified, they are assigned to regional or business unit talent pools, which are managed by local human resources and business unit leaders. Employees in these pools are then selected initially for new assignments within their region or line of business and, over time, are given positions that cross boundaries. They are viewed as having the potential to reach a senior management role in a region or a business. Managers of the pools then single out people to recommend for the group talent pool, which represents the most senior cadre of general managers and is administered centrally. These managers are considered to have the potential to reach the senior executive level in three to five years and top management in the longer term.

Leaders maintain talent relationship dialogues with members of each pool, in face-to-face conversations where possible, to address their development needs and concerns. In new relationships, the dialogues are time intensive and available to the employee on demand; in established relationships, the conversations tend to occur two to four times a year, as needed. The aim is to structure a set of experiences that leads to a deep knowledge of all aspects of the business as well as an understanding of the many different cultural environments in which HSBC operates.

In fact, people are told that if they want to reach the highest levels of management they must expect to work in at least two very different cultural environments. The number of people making such moves has increased exponentially over the past few years. "We have a Brazilian working with one of our affiliates in China, our insurance affiliate," Green told us. "We have an Armenian working in India in the IT function, a Turk working in New York. There are…hundreds and hundreds of examples of this." Green acknowledges that this approach is expensive—it's nearly always cheaper to fill a role with someone local—but considers it a vital investment in achieving the firm's global goals.

HSBC is still tweaking the process. The bank learned, for instance, that assessing each employee on a scale of one to five was demoralizing for some people, so it modified the process to rate only people in the top two levels of some areas. Feedback for the rest is framed in terms of development needs and support, rather than "you haven't made it into a talent pool." This change takes into account early-stage career development, which entails gaining a certain amount of expertise before a person is ready to advance.

HSBC also learned that, talent pools notwithstanding, leaders of the local units still behaved as princes of their domains—they weren't connecting across units in ways that would benefit the firm overall. In short, the model of international teamwork was still more an aspiration than an operating principle. To close this gap between aspiration and reality, HSBC resolved conflicts in its reward system and took steps to build relationships on a more personal basis. So, for example, the top executive team launched what it called collective-management conferences, where employees could learn about the company's strategic objectives and operations around the world—another way to help people feel like part of an organization that extends beyond their own unit or locale. Each conference is attended by about 40 senior managers, who have been nominated by their country, functional, or customer group leader because they've demonstrated a potential for growth and because their roles have policy implications across the enterprise.

These meetings, which are held twice per year, have become a vehicle for senior people in the company to share knowledge and ideas across corporate borders and customer groups. During one conference, the general manager for Mexico told his colleagues how he managed to rebrand a recent acquisition, Grupo Financiero Bital, literally overnight. His story shed light on the value of collaborating across company boundaries. At another gathering, one of HSBC's senior executives explained how acquiring the U.S. firm Household International gave the organization much deeper capabilities in customer analytics and buying behavior. During yet another meeting, a couple of general managers explained how they built on their preexisting relationship to ease the transfer of a client from commercial banking to private banking. (In the past, the client would have been jealously guarded because his profitability would have been attributed to whichever group "owned" that customer.) After each conference, participants are asked to commit to doing one or two things differently to strengthen the firm's collaboration capabilities.

The company also established networks across countries, so that, for instance, the head of personal financial services in Hong Kong knows her counterpart in Mumbai, in Mexico City, in São Paulo, in Vancouver. These networks allow executives to participate in important virtual meetings on a regular basis for each line of business and provide them with opportunities to gather face-to-face in occasional off-site meetings.

Like HSBC, Procter & Gamble has tied its talent management processes to its strategy for growth, which means a focus on winning in the emerging markets of China, India, Latin America, the Middle East, and Eastern Europe. The company is building what amounts to a global talent supply-chain management process, coordinated worldwide but executed locally. Hiring and promotions are the responsibility of local managers, but high-potential prospects and key stretch assignments are identified globally.

New hires tend to be local talent. Line managers in China, for instance, hire Chinese recruits. That's been the case for some time, but it used to be that key corporate roles in emerging markets went to expatriates. Now, local hires are considered growth prospects for the firm; those Chinese recruits are expected to become managers in that market. Key stretch assignments and senior positions, however, are managed globally, at the executive level. The emphasis on hiring nationals translates into a diverse pool of leadership talent for the entire corporation, especially at more senior levels: At the geography and country leader level, there are almost 300 executives who come from 36 countries, and 50% are from outside the United States. The top 40 executives come from 12 different nations, and 45% are from outside the United States. As high-potential employees advance, they move through a portfolio of senior-level jobs that are categorized according to strategic challenges, size of the business, and complexity of the market. Leadership positions for businesses or countries are earmarked for either novice or experienced general managers. A relatively small country-manager position—in Taiwan, for instance—is considered appropriate for first-time general managers. Such assignments then set up the incumbents for placement in larger countries, like Italy or Brazil, which in turn can lead to roles in clusters of countries, such as Eastern Europe or the United Kingdom. Those last roles then become springboards or crucibles for leaders who demonstrate the potential to become senior executives.

P&G offers formal training and development programs and sometimes sends managers to external executive education programs. The lion's share of development, however, takes place on the job, with the immediate manager's support and help from mentors and teammates. A typical marketing manager, for example, will have worked with a number of different brands over a period of time. A finance manager will have gone through various assignments, ranging from financial analysis to treasury to auditing to accounting. Most managers are also placed on important multifunctional task forces or project teams from time to time. New postings and task force participation are expected to challenge employees, and they signal to managers that P&G will always offer new opportunities.

Consider the career progression of Daniela Riccardi, who has been with the company for 22 years. She started as an assistant brand manager in Italy, where she stayed for six years, advancing to brand manager. A three-year stint in Belgium as a marketing manager for cleans-

## Assessing Your Company's Overall Capability

To get a sense of your company's current capability, rate its strength on a scale of one to ten in the following areas. Then, write down one thing you will do to address any weakness. Your ratings will give you an idea of the areas you need to focus on.

| | We're poor performers | | | We're OK, but nothing to cheer about | | | | We're at or near benchmark status | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **1** Do you know what skills your company needs to execute its growth objectives? | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| **2** Does your company have a process for identifying, assessing, and developing its next generation of leaders in all its businesses and regions? | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| **3** Do you have specific development plans for your high-potential leaders? | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| **4** Are you able to deploy the right people when emerging opportunities arise, quickly and without significant disruption to other parts of your organization? | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| **5** Do you have diverse and plentiful pools of talented employees who are ready, willing, and able to be deployed to new opportunities at the technical, managerial, and leadership levels of your organization? | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| **6** Do you have a diverse and plentiful pool of leaders who are capable of moving into your organization's most senior executive roles? | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| **7** Do you offer managers and executives developmental experiences specifically aimed at preparing them for the unique challenges of leading large, complex, global organizations? | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| **8** Have you, as a leader, used words and deeds to unequivocally demonstrate that you are fully committed to developing talent globally in your company? | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| **9** Would the people around you consider you actively engaged in your company's talent management initiatives? | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| **10** Do you hold your managers and leaders accountable for identifying and developing talent in their businesses, functions, and regions? | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |

After each question:

What will you do to strengthen your company's capability in this area?

________________________________________

ers and bleach followed. She then spent seven years in three Latin American countries, holding the positions of marketing director, general manager, and vice president of ever-larger divisions. From there, she became a vice president of Eastern Europe, and in 2005, she was promoted to her current position—President, Greater China. When the development of a career like Riccardi's has to be managed across business units and countries, the planning process is led collaboratively from the center by the company's CEO, A.G. Lafley; the vice chairs; the global HR officer; and the global leaders of the various functions for their people. All this is done in partnership with the president and human resources manager at both ends of the reassignment.

People and positions are tracked in a technology-based talent management system that is sufficiently robust to accommodate all the company's more than 135,000 employees but is primarily used to track 13,000 middle- and upper-management employees. The system captures information about succession planning at the country, business category, and regional levels; includes career histories and capabilities, as well as education and community affiliations; identifies top talent and their development needs; and tracks diversity. It also makes in-house talent visible to business leaders, who no longer have to scour the company to find candidates by themselves. To keep the systems relevant, P&G has instituted a global talent review—a process by which every country, every function, and every business is assessed for its capacity to find, develop, deploy, engage, and retain skilled people, in light of specific performance objectives. For example, if the company has stated diversity hiring objectives, the review is used to audit diversity in hiring and promotions. Determinations made in these reviews are captured in a global automated talent development system and can be accessed by decision makers through their HR managers.

*Unlike processes, which can be copied by competitors, passion is very difficult to duplicate. Nevertheless, there are measures that companies can take to build it into their cultures.*

The company also pays close attention to the effectiveness of its recruiting processes. P&G interviewers record detailed assessments of each candidate and assign them a quantitative score, using uniform criteria. The company then regularly assesses performance against the baseline set during the interviews. P&G also evaluates the success rate of its key promotions, using quantitative and qualitative measures that cover a three-year period. Managers who improve the business and its capabilities are deemed "successful"; the company has a success rate that exceeds 90%. When derailments occur, P&G conducts a thorough "lessons learned" review.

## Vitality: The Secret Weapon

If functionality is about focusing your company's talent management processes to produce certain outcomes, vitality is about the attitudes and mind-sets of the people responsible for those processes—not just in human resources but throughout the line, all the way to the top of the organization. Unlike processes, which can with some effort be copied by competitors, passion is very difficult to duplicate. Nevertheless, there are measures that companies can take to build it into their cultures. Our research shows that the vitality of a company's talent management processes is a product of three defining characteristics: *commitment, engagement,* and *accountability*.

**Fostering commitment.** P&G hires and develops people through a set of principles—such as the rules to hire at entry level and build from within—that are specifically designed to foster commitment. While people typically have long careers with the company, the average age for all employees is only 39; 38 for all managers. More than half the organization has been with P&G for less than five years. That's because the company constantly pumps in new talent and has integrated huge numbers of people through its acquisitions of Clairol, Gillette, and Wella. So, even with the relatively low attrition rate of 7.5% (including retirements), more junior managers are always coming in. P&G hires 90% of its entry-level managers straight from universities and grows their careers over time. (The relative youth of the workforce may also reflect that this approach often allows for retirement earlier than usual.) All the vice chairs and corporate officers either joined the company from universities or arrived via acquisitions. Lafley himself joined P&G right out of Harvard Business School and, over the subsequent 25-plus years, went through numerous assignments before becoming CEO.

To gain commitment early, the company also established a college intern program that offers the chance to assume real responsibility by working on important projects with the full resources of the company. Extensive intern programs can be a drain on an organization because of the time that managers must spend sponsoring, coaching, and advising the interns. P&G, however, converts former interns to full-time employees at a percentage well above that of most competitors, so the company is compensated for its investment with high-quality hires who can hit the ground running. It also assigns interns to multifunctional teams that work on business and organizational issues and present solutions to the CEO and senior management sponsors. The company often ends up implementing the suggestions those teams come up with. One of the four ideas presented in 2006, for instance, may result in accelerating the launch of a new brand; two other projects have been partially implemented.

At HSBC, commitment to talent is personified by Green, who explains, "There is nothing more important than getting this right…all the way from intake through the most influential senior positions." Line executives participate directly in the process, partnering with the central and regional HR functions to fill important positions.

**Building engagement.** Engagement reflects the degree to which company leaders show their commitment to the details of talent management. P&G engages employees in their own career development the day they start with the company. They work with their hiring managers to plot moves that will build what the company calls "career development currency." For high-potentials, P&G identifies "destination jobs," which are attainable only if the employee continues to perform, impress, and demonstrate growth potential. The purpose is to view job assignments through a career development lens. For instance, a manager whose destination job is to become a president of one of P&G's seven regions will go through assignments in different locations to acquire international experience and work in a global business unit with responsibility for a major product category.

University recruiting is a line-led activity at P&G, and many senior managers personally lead campus teams at top universities around the world. These executives are held accountable for hiring only graduates with outstanding track records in both academic and nonacademic performance (such as summer jobs, clubs, and entrepreneurial activities). To bolster ties with these institutions, the campus team leaders also fund research, make technology gifts, participate in the classroom, and judge case study competitions.

As for HSBC, a conversation with Green makes his engagement immediately clear. Green has a remarkable knowledge of the company's day-to-day people processes and can speak at length about how the company approaches recruitment, where managers are deployed, how their careers are progressing, and what they will need to do to continue advancing. Down through the ranks, line engagement in talent management is ensured by specific policies and practices, such as the requirement that each unit have a talent implementation strategy. These plans explicitly link a unit's growth objectives to its people development, so the company won't be surprised by any deficits. Barbara Simpson, HSBC's group head of talent, works closely with each unit to develop its proposal and presents the aggregated plans to the group head office, highlighting any gaps in talent to meet the firm's growth objectives. This process keeps talent management high on the agendas of line and corporate leaders and prevents them from getting distracted by seemingly more pressing problems. What's more, talent management, succession planning, international moves, and senior-executive development are standing agenda items at meetings of business executive committees and the group's board.

The bank fosters engagement in new hires by sending them to the United Kingdom for a seven-week training program, typically in groups of 30 to 40, whose members represent about 20 nations. At these sessions, held several times a year, new employees have a chance not just to meet one another and members of the leadership team—Green or his most senior colleagues spend some time with them—but also to share their own ideas about the bank.

**Ensuring accountability.** Talent factories hold all stakeholders (including talented employees themselves) accountable for doing their part to make systems and processes robust. At P&G, Lafley claims ownership for career planning of all the general managers and vice presidents and for the talent pools that comprise what he refers to as the company's

*Any company aiming to grow—and, in particular, to grow on the global stage—has little hope of achieving its goals without the ability to put the right people on the ground, and fast.*

"top 16s": P&G's preeminent 16 markets, 16 customers, and 16 brands. He reviews the top talent assignment and succession plans for each business and region annually. Along with the company's vice chairs and presidents, he personally sponsors and teaches all the leadership development courses for the company's most senior 300 leaders, signaling that talent management is both a leadership responsibility and a core business process. All of P&G's managers and executives understand that they will be held accountable for identifying and developing the firm's current and future leaders. They are evaluated and compensated on their contributions to building organizational competence, not just on their performance.

HSBC's Green holds his group management board, which comprises about a dozen executives, accountable for the company's talent pools. Each member is responsible for a region, a customer group, or a product. Members oversee the list of people in their own business in the regional talent pool as well and select managers for the group pool.

Executives are also held accountable for maintaining honesty in the talent management process, which is easier said than done, says Green. "We've had people who got into talent pools who shouldn't have. You can either let it ride, or you have that hard conversation saying, 'Sorry, this wasn't right,' or 'You were a legitimate member of the talent pool but you started to coast and lost it a bit.' You don't do people a favor by being nice all the time."

• • •

Leaders have long said that people are their companies' most important assets, but making the most of them has acquired a new urgency. Any company aiming to grow—and, in particular, to grow on the global stage—has little hope of achieving its goals without the ability to put the right people on the ground, and fast. Companies apply focus and drive toward capital, information technology, equipment, and world-class processes, but in the end, it's the people who matter most.

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## Further Reading

ARTICLES

**Growing Talent as If Your Business Depended on It**
by Jeffrey M. Cohn, Rakesh Khurana, and Laura Reeves
*Harvard Business Review*
October 2005
Product no. R0510C

The authors agree that companies need better talent development strategies, and they explain how people at every level in an organization can play a role. Through what the authors call an integrated leadership development program, CEOs and VPs develop plans for replacing themselves. Board members actively identify and develop rising stars. And line managers willingly relinquish their best performers to other units so emerging leaders can gain cross-functional experience. When everyone pitches in to develop talent, your company attracts high-quality future leaders, you establish the bench strength you need to execute crucial strategic initiatives, and you boost shareholder confidence in your firm. And because rivals can't copy your program, it becomes an enduring source of competitive advantage.

**Developing Your Leadership Pipeline**
by Jay A. Conger and Robert M. Fulmer
*Harvard Business Review*
December 2003
Product no. R0312F

In the middle ranks of your organization, managers acquire the broad range of skills they'll need to succeed in higher-level positions. To support their development and keep your leadership pipeline flowing: 1) Identify which skills future senior leaders will need and how they can master them. Pair classroom training with on-the-job experiences that solve real organizational problems. 2) Identify linchpin positions, those essential to your company's long-term health. Give high-potential candidates linchpin assignments coupled with team support, training, and mentoring. 3) Tell managers where they stand on the performance and potential ladder and what they must to do advance. 4) Ensure that there are enough attractive jobs to retain your most promising mid-level managers.

Deloitte Global Services Ltd. 2013

# The Talent-Intelligent Board

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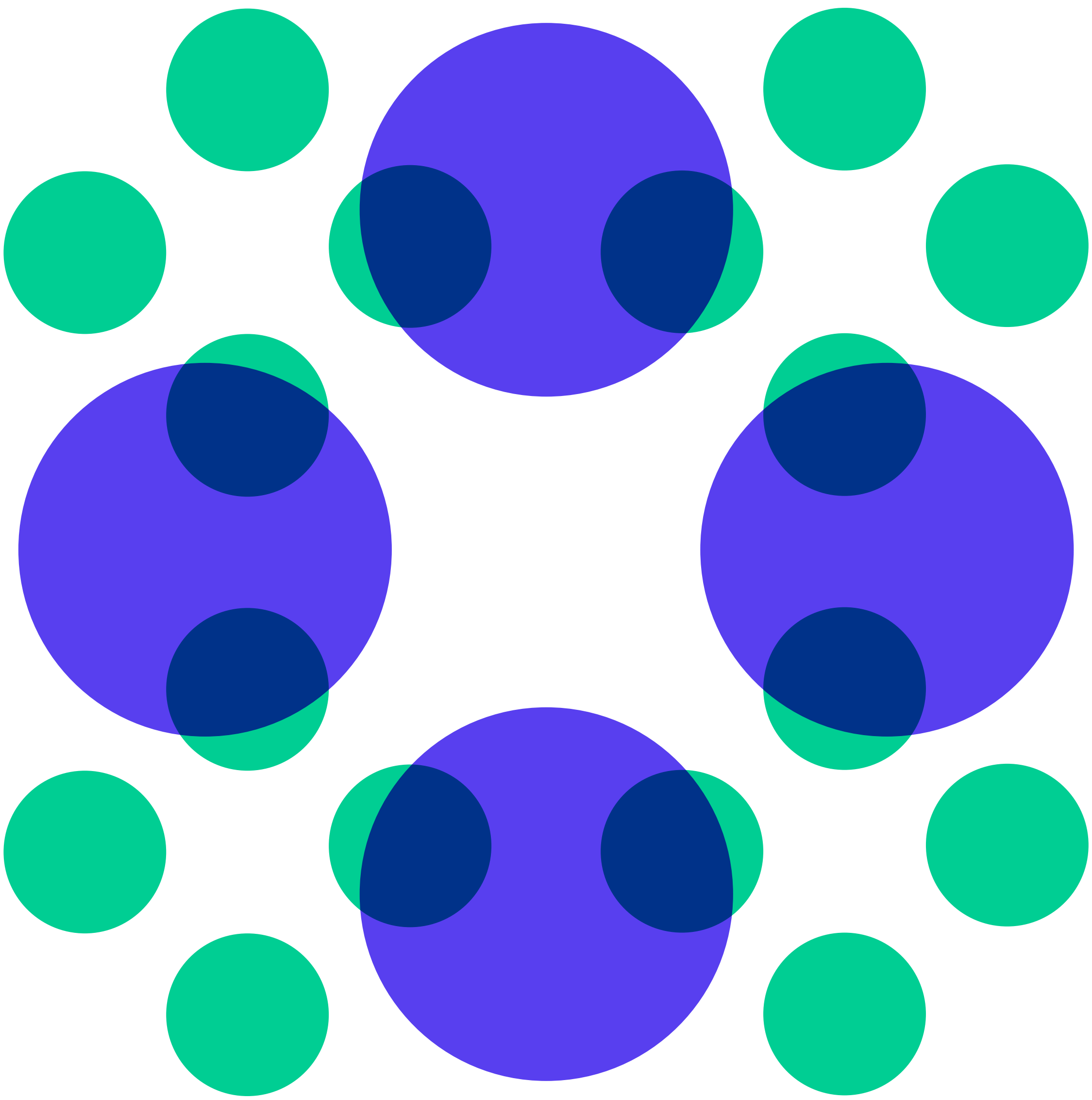

## THE ESSENTIAL RESOURCE

In most organizations, talent is the essential resource[I]— in fact, your talent is the one thing that can distinguish you from your competitors. Without the right people to execute and deliver the organization's strategy and objectives at all levels, the business will fail to reach its full potential.

A board's oversight responsibility is well understood in the areas of risk governance, ethics, and corporate responsibility, but less often mentioned with regard to talent. Yet, talent is an intrinsic part of the risk culture of an organization.

Instances where talent is at the core of major organizational risk are increasingly prevalent. Talent is, however, an area of organizational risk where boards often fail to implement comprehensive controls.

Oversight of an organization's talent clearly falls within the board's responsibilities. Traditionally, talent had been focused on hiring the chief executive officer, determining executive compensation, planning senior executive succession, and recruiting and developing board members. Yet the board's responsibility for talent extends well beyond those duties. The ability to attract, develop, and retain talent, particularly at the leadership level, has become a major factor in all capital investments, business strategies, and organizational growth. As a result, it is an important consideration for boards of multinational and owner-managed businesses alike.

[1] In this paper, the term "talent" refers to every person who affects the success of the organization and drives disproportionate value.

[2] *Hot Topics: CEO Succession Planning and Talent Considerations,* Deloitte Center for Corporate Governance, 2012.

How can the board help the organization attract, develop, and retain talent?

Boards play a key role in overseeing that talent strategies are in place to execute on the overall business objectives as well as manage the talent-related risk inherent in the commercial world today. In this role, the board should confirm that its organization has an effective and robust talent management program capable of delivering value for shareholders. As noted by the Deloitte Governance Framework, talent is one of the five critical governance elements over which the board provides active oversight. Executing active oversight with regard to the five elements—performance, strategy, governance, talent, and integrity—cannot be delegated to management.[2]

This publication aims to assist board members in defining and carrying out their oversight responsibilities with regard to talent. To that end, it covers six important emerging issues that affect the strategic management of talent in today's organizations:

1. Overseeing talent-related risks
2. Increasing management accountability for talent
3. Considering the impact of demographics on business and talent management strategies
4. Understanding the talent retention risks
5. Maintaining the right talent oversight by the board of directors
6. Planning for succession in family businesses.

Deloitte offers this publication to boards as a guide focused on key strategic issues relating to talent. Our objective is to assist boards in defining their roles and responsibilities with regard to talent oversight and to provide ideas, as well as questions, to pose to management regarding this essential resource.

## 1. OVERSEEING TALENT-RELATED RISKS

Risk oversight is the foundation for the board and management to govern the organization and make sound business decisions. Organizational risks include talent-related risks and are frequently identified by organizations as some of the most critical issues they face. Talent-related risks traditionally include lack of succession planning; planned or sudden loss of key personnel; lack of return on leadership investment or senior external hires; and failure to attract, develop, and retain talent. These risks can extend to poor talent planning to support capital investments and business strategy; for example, limited leadership bench strength[3], reputational exposure, productivity risk, and inability to execute due to lack of workforce planning.

To more effectively oversee risks related to talent, boards should periodically and proactively consider the following talent-related risks identified in a recent Deloitte report[4]:

- **Reputational risks:** Financial missteps, ethical breaches, legal problems, or even poor performance by executives can have an impact on a company's revenue, profits, and market value for years to come, particularly when publicly reported in the media. This is particularly important because decisions are often made by one or more key individuals in an organization.
- **Crisis management:** "Black swan" events—low-probability events that have far-reaching impact—are increasingly common. Does senior management have a detailed crisis management plan that governs how the organization addresses these issues? Risks include changes in economic and market trends, the sudden departure of business-critical talent, poaching of whole teams by external sources, and health and safety incidents.
- **Business and regulatory risks:** Boards should satisfy themselves that their talent strategies, compensation, and incentive plans are aligned to create a culture that supports the pursuit of business goals within regulatory constraints.
- **Broader HR risks:** HR risks have expanded beyond compliance with labor regulations. While those remain important, companies now face a broad range of talent-related risks that can undermine organizational performance. These range from security, intellectual property, employee fraud, and financial risks to the risks of incompetence, poor judgment, and lack of loyalty.

[3] Bench strength refers to the capabilities and readiness of potential successors to move into leadership positions.

[4] *Human Capital Trends 2012: Leap Ahead,* Deloitte, www.deloitte.com.

## IMPROVING OVERSIGHT OF TALENT-RELATED RISKS

Improving the oversight of talent risk begins with understanding those risks and management's approach to addressing them. Here are five key steps for boards to consider in their talent oversight role:

- **Review talent-related risks:** Many boards have adopted a twice-a-year talent review in which the chief human resources officer (CHRO) summarizes the external talent trends, and workforce and talent strategy for the business, including a comprehensive review of talent, HR risks and the associated mitigation strategies.
- **Develop measurable outcomes:** It is also wise to request a benchmark analysis that covers employee engagement, top performer and executive attrition, and other factors related to talent retention at the senior levels and for other critical positions. This can be accomplished by leveraging industry or HR data and/or using historical organizational data as comparisons.
- **Assign the responsibility:** More and more boards designate a director and/or members of the remuneration committee to address talent-related issues and risks (often a former or current CHRO), and ask for frequent "in camera" sessions with the board on talent-related risks. The head of HR could report to both the CEO and the board. For the board, this designated director can help raise awareness of talent issues; moreover, this individual has the appropriate background to question management and inform the board about talent-related risks and how management is addressing them.
- **Monitor the talent pipeline:** Talent supply and demand data should be reviewed as part of capital investments and business strategy reviews at least annually, and ideally more frequently. In addition, the need to develop new products, enter new markets, or combat new competitors will dictate the demand for specific experience and skills. The board should ascertain that management and the HR team have plans in place to meet that demand.
- **Align the talent and business strategy:** In reviews of strategy, the board should ask management how it aligns the talent strategy with the business strategy. Forward-looking talent strategies maintain this alignment while helping target investments in talent development for optimal efficiency and effectiveness. The board should also be aware of talent issues related to any initiative that comes up for its review

or approval. For example, in merger and acquisition (M&A) situations, talent due diligence is often neglected and talent the organization intended to acquire on Day 1 may be lost. In a recent survey, only a quarter of respondents indicated that talent/HR metrics were used to determine the overall success of their transaction. Among the same respondents, those that rated their M&A as successful or highly successful were far more likely to have considered talent implications during the due diligence stage.[5]

In general, sound talent management strategies and programs can greatly reduce risk, improve sustainable performance, and improve the organization's ability to attract external talent. Board oversight into this process can not only provide experienced insight, but help to identify and reduce the risks and take talent management to the next level.

[5] *Human Capital Risk in Mergers and Acquisitions,* FEI Canada, 2012.

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**QUESTIONS FOR DIRECTORS TO ASK:**

- What are the key talent risks associated with our core business strategies? With our major investments?
- What is our talent bench strength? How is our organization mitigating succession risks?
- What plans are in place to bring about smooth succession or substitution of our key talent, if the need arises?
- How can we strengthen our talent-related due diligence in joint venture and M&A situations?

## 2. INCREASING MANAGEMENT ACCOUNTABILITY FOR TALENT

Boards are facing more public scrutiny and increasing stakeholder expectations at a time when management is seeking ways to expand organizations more rapidly while managing risks and reducing costs. The latter goal—cost reduction—often involves changing leadership, workforce size, location, and deployment. Furthermore, on the topic of public scrutiny and increasing shareholder expectations, some jurisdictions have instituted shareholder advisory votes on compensation (e.g., say-on-pay in the United States and similar rules in the United Kingdom, Germany, Australia, and elsewhere) that allow shareholders to vote against compensation packages for corporate executives.

In this context, Deloitte's research of several hundred company directors highlights the importance of boards obtaining management assurances with respect to workforce strategies. A distinct shift in board inquiry is emerging, going beyond the important questions of executive compensation and succession planning.

Boards and management teams should focus on understanding the talent strategies underpinning the key business objectives. Increasingly, boards are looking for more integration between business and talent strategies as well as more talent-related data to inform their decisions:

- **Business strategy oversight:** Boards are conducting formal reviews with business leaders to understand the leadership and talent strategies that support execution of their business objectives and key capital investments.

- **Accountability and execution:** Boards are taking a closer look at how leaders are executing and reviewing key performance indicators (KPIs), with emphasis on sustained performance versus "one-off" peaks in performance. Boards are asking for more KPIs that are connected to the business strategy and leadership contribution. Business-unit and functional departments should provide boards with measurable contributions to operational excellence related to talent matters.

- **Succession is more than reporting the number of succession candidates within an organization:** Boards are looking for more visibility into executive management successors and asking for more rigor regarding the professional development of succession candidates, including exposure to these individuals at the board level. In 2011, only 32 percent of the announcements of CEO successions indicated that the candidate was identified through the board succession management planning process.[6]

[6] *CEO Succession Practices,* The Conference Board, 2012 Edition, (http://www.conference-board.ca/e-library/abstract.aspx?did=4798).

### Important talent-related board KPIs

There are a number of metrics that directors should be given access to that would help provide more clear insight into talent-related risks. These include:

- Succession bench strength
- Pipeline for critical organizational roles
- Leadership capabilities required in the future vs. current capabilities
- Value of engagement score increase (dollars per point)

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**QUESTIONS FOR DIRECTORS TO ASK:**

- What is the talent strategy that supports our business objectives and capital investments?
- What talent KPIs are we monitoring at the board level? How do they connect to our business strategy?
- What development have we provided our key successors in the past year? Has our leadership bench strength changed and why?
- How does our management access the necessary talent to support operational excellence, such as lean and other quality and process improvement methods? What improvements are being made?
- Which board committee provides primary oversight for our talent programs and policies? Should a board-level talent/human resources committee be formed to allow more focused oversight by the board?

## 3. CONSIDERING THE IMPACT OF DEMOGRAPHICS ON BUSINESS AND TALENT MANAGEMENT STRATEGIES

Workforce demographics at global, national, regional, and local levels are affecting the availability of talent, and in planning talent-related strategies, leadership teams should consider relevant demographic trends.

One relevant demographic trend affecting organizations around the world is generational differences that have an impact on talent-related strategies. Boomers[7], although a shrinking pool of skilled employees, are now staying longer than expected in the workforce, so opportunities for Generation X[8] to progress are being affected. Members of Generation X are now entering the executive ranks and are seeking ways to make their marks, but Generation Y[9] is snapping at their heels with expectations for accelerated development, progression, and recognition. Generation Y is introducing innovative attitudes and ideas to the workplace and challenging traditional ways of working, such as how and where work gets done.

Important demographic trends to consider when formulating plans that involve talent include the following:

- **Gender roles** have changed and continue to do so, redefining the position of men and women in the workplace. Although women comprise nearly half of the workforce today, they hold only 16 percent of the seats in Fortune 500 boardrooms.[10]
- **Life stages** are quickly becoming an important topic to consider, because the impact of what is occurring in one's life affects one's behavior in the organization. For example, there is a large increase in the number of people delaying parenthood; it is now typical to have employees in their 20s, 30s, 40s, and 50s all starting families.
- **Diversity** raises challenges for companies in managing a more complex workforce with differences in nationality, culture, socioeconomic background, lifestyle, and education, as well as more traditional diversity factors such as gender, race, ethnicity, and religion.
- **Technology**, particularly in the form of mobile devices and social media, while not a strictly demographic trend, has had a strong impact on workforces. Technology holds its own risks (such as cyber-attacks, privacy risks, and intellectual property risks) yet improves the ability of talented people to collaborate and work remotely, influencing how and where work is done and how decisions are made.

[7] Boomers are commonly defined as having birth dates from the mid-1940s to the mid-1960s.

[8] Generation X is commonly defined as having birth dates from the mid-1960s to the early 1980s.

[9] Generation Y is commonly defined as having birth dates from the early 1980s to the 2000s.

[10] *Limited Seating: Mixed Results on Effects to Seat More Women at the Corporate Board Table,* Knowledge@Wharton, October 26, 2011.

**QUESTIONS FOR DIRECTORS TO ASK:**

- Which demographic trends are affecting—and are likely to affect—our organization and our ability to execute our business plans?
- How is management reporting to the board on an ongoing basis regarding how the organization is responding to these trends?
- What are the largest demographic risks for our organization? How has management addressed these trends, particularly in comparison with peer companies?
- When evaluating performance, does our board or board committee examine how the CEO is addressing demographic trends and risks?

## 4. UNDERSTANDING THE TALENT RETENTION RISKS

Some organizations say, "People are our most important asset," but employees can perceive it as a hollow slogan. Organizations focus on growth, cost management, investment, risk, and the customer, yet often miss the talent component inherent in executing on these fronts. If people are the most important asset but they are not managed as such, the organization's ability to execute and deliver sustainable results may become limited.

Some years ago the phrase "war for talent" became popular as companies tried to outbid their competitors for high performers. This strategy proved somewhat futile; the quest for talent today involves much more than an attractive salary.

### Onboarding and connecting

Actively onboarding and connecting external senior executive leaders to the organization while measuring the impact on the business is as important as training a new client service representative. If you are bringing senior leaders into your organization, the investment and failure rate is high.

The failure rate of executives placed into new companies is anywhere from 30 percent to 40 percent after 18 months.[11] The costs associated with this failure rate could include recruiting fees, missed business objectives, unproductive employees, and productivity. A risk this high requires board oversight.

Leading organizations recognize the potential value of their culture and place their bets on refining the talent experience over the long term as the most powerful talent attraction and retention strategy.

### Culture and connection

Creating a culture that is attractive to top talent means recognizing that significant value is created by improving connections among employees, customers, suppliers, and other stakeholders. The ability to attract and retain exceptional leaders and build an employee brand through word of mouth and social media is a new dimension of organizational culture that leaders must manage.

A 2012 Deloitte report[12] stated that "Social media platforms can easily become forums for spreading rumors and misinformation," and that these risks should be actively managed. If an organization is not truly focused on good talent management, social media will spread the word quickly. Current and former

[11] Ashkenas, Ron, "Hire Senior Executives That Last," *Harvard Business Review*, August 3, 2010.

[12] *Human Capital Trends 2012: Leap Ahead*, Deloitte, www.deloitte.com.

employees freely exchange opinions about their workplaces, which can affect the ability of the organization to retain existing talent, let alone attract new talent.

This evolving environment has implications for both management and the board in terms of how they engage and communicate with the broader business and the capabilities required for leaders to be effective in a digital business environment.

Leaders are increasingly operating in a more 24/7 environment where traditional geographic boundaries are becoming less important; new technologies mean the workforce is more mobile; and younger generations in particular expect more engagement, feedback, and exposure than in previous decades.

High-talent individuals are looking for a clear line of sight between the broader business strategy and what they are doing day to day; they want engaging dialogue with leaders and thoughtful career planning as well as more robust integration and early connection with the organization upon hiring. An organizational culture that does not enable these conditions presents significant retention risk.

**QUESTIONS FOR DIRECTORS TO ASK:**

- How clearly are our key business objectives communicated within our organization? Can our talent clearly articulate how they affect key business objectives?
- What is our external hiring success rate?
- Do we have an onboarding strategy and do we measure its success?
- What is our social media strategy and how is it connected to our talent strategy?

## 5. MAINTAINING THE RIGHT TALENT OVERSIGHT BY THE BOARD OF DIRECTORS

Corporate boards themselves face potential talent issues, especially as demands increase and the composition of the board changes. Boards need directors who are independent of management; who have more time to devote to board service; and who have expertise in risk, global trends, talent, technology, sustainability, and social media. In addition, boards may require improved communication, education and development, coaching, mentoring skills, and, perhaps, experience with regulatory agencies. One way for boards to be provided with a refresher on these matters is to conduct periodic training sessions involving internal or external experts. Experts can be called on to facilitate board discussions and inform members of critical updates affecting their board service roles.

Board recruitment should also consider the business demographics and customer base to include diversity of gender, ethnicity, nationality, and age. For example, some countries, such as France, Belgium, Norway, and India, have introduced quotas requiring a certain percentage of women on the boards of companies that meet specific criteria by a certain date.[13] However, gender diversity alone is not enough; broader team effectiveness is an important characteristic of a board.

In fact, a number of studies have found a positive relationship between board diversity and improved financial performance, including returns on equity, returns on sales, and returns on invested capital, although not all evidence supporting this business case is necessarily economics-based.[14]

Like the organization it oversees, the board should continually assess its own talent requirements and develop ways to recruit, enrich, and retain that talent while maintaining the governance functions that board members fulfill for investors, management, employees, and other stakeholders.

Board committees, such as the audit, governance, finance, risk, and HR committees, should also manage talent issues with assistance from the full board. Committee members typically require specific expertise as well as integrity, independence, and reputation—essential qualifications for any board member. For example, the complexities of financial risks and regulations call for board members with the experience, knowledge, commitment, and credibility with management to exercise strong governance. In some jurisdictions, regulators have introduced financial expertise requirements for audit committee members.[15]

[13] *Women in the Boardroom: A Global Perspective,* November 2011, Deloitte, www.deloitte.com.

[14] *Revisiting Justifications for Board Diversity,* The Conference Board, November 2011.

[15] *History of 52-110 — Audit Committees,* Ontario Securities Commission, (http://www.osc.gov.on.ca/en/13550.htm).

When boards evaluate their qualifications and performance, through self-evaluation, peer evaluation, or third-party evaluation, they should consider specific skills, whether those skills have been exercised, and which skills need improvement. Then the board, or a subset of the board, can craft a plan to acquire any talent needed to round out the composition. While talent can be recruited to succeed board members whose terms are coming to an end, it may also be possible to develop the required talent within the existing board through board education.

Instituting term limits for directors is another way to round out the composition of the board and keep talent. Director term limits allow for a constant inflow of new talent on the board. Without these types of policies forcing director turnover, boards could be faced with replacing a large number of directors at one time, and could suffer from not having new talent bring new ideas and experiences to the role.

## Considering board composition

Regarding its composition, the board should consider the following factors, which are usually included in the board's or board committee's charter:

- Methods of assessing required, existing, and missing competencies at the board level
- Roles and relationships between the board and management and the extent to which the board provides—and management uses—advice and guidance
- Industry, products, services, and business processes of the organization and the implications for the board's talent requirements
- Processes the board—and boards at peer companies— use to ensure that board members have the required expertise, experience, and skills
- Performance benchmarks that enable board and committee members to gauge their effectiveness and whether they are improving.

Given today's business and regulatory environment and rising shareholder expectations, companies require high-performing and effective boards. Board effectiveness is a talent issue, yet the board largely governs itself. For that reason, it is best for a board to periodically obtain an external assessment of its effectiveness, practices, talent requirements, and options for improving its performance. An increasing number of countries require board assessments; for example, the UK Governance Code suggests an annual assessment and an external assessment once every three years.[16]

[16] UK Corporate Governance Code, Financial Reporting Council, http://www.frc.org.uk/getattachment/a7f0aa3a-57dd-4341-b3e8-ffa99899e154/UK-Corporate-Governance-Code-September-2012.aspx

**QUESTIONS FOR DIRECTORS TO ASK:**

- What are the key board talent issues we need to consider over the next four years?
- What are our talent requirements at the board and board committee level from the standpoints of the business, management, regulators, and shareholders?
- What professional expertise and personal qualities—such as communication skills or credibility with management—are missing from our board?
- How can we ensure our board has diverse points of view? What is our optimal board composition (e.g., skills, experience, demographics)?

### 6. PLANNING FOR SUCCESSION IN FAMILY BUSINESSES

Boards of family-owned businesses are responsible to the owners for the governance and oversight of management. However, in some family-owned businesses, the owners serve as the board of directors. This can make it more challenging for the board to provide appropriate oversight.

Advising management and the family regarding senior executive succession planning is the most important talent-related issue these boards face. This can be more complex in a family owned organization than in public companies because family members' expectations must be managed all the more sensitively. These expectations often include the desire of certain family members, usually in the succeeding generation, to be promoted to executive positions.

This makes succession planning and talent development extremely important. A family business will not survive if unqualified family members are promoted to leadership positions. On the other hand, a family-owned business can and should provide opportunities for family members when appropriate. So the challenge facing the board is one of setting the right expectations among family members and assisting management in planning and implementing succession.

Executives in the senior generation often resist succession planning. Understandably, they do not want to think about giving up control of the business due to illness, age, accident, or death. When the executive is a majority owner, the situation becomes more complicated—and even more difficult when he or she chairs the board. For these reasons, some family-owned businesses separate the positions of board chairman and chief executive of the company. Many also establish separate succession planning committees.

### Leading family-business succession practices

Although the structure of boards and committees varies widely, boards of family-owned businesses should consider the following leading succession practices:

- Understand the need to balance business considerations and family considerations, and be honest with family members regarding the leadership needs of the business.
- Establish formal job descriptions and qualifications for all positions in the company, including executive positions, and apply them to family and to non-family members. The job descriptions should consider the business strategy and key capabilities required in the future to execute on strategy.
- Establish a formal talent-development and mentoring program to ensure that people promoted to executive positions are prepared for their responsibilities.
- Ensure that senior-generation executives have something to retire to, as well as the financial security and emotional support they will need when they give up their management roles.
- Implement succession gradually over a period of years to give successors the opportunity to grow into their roles and develop more fully.

A board that establishes a mentoring program and a succession plan will help to implement smooth management transitions and maintain business continuity. The board should also balance family and business considerations in ways that enable the family to benefit from the business and enable the business to benefit from the experience, knowledge, and loyalty of the family.

**QUESTIONS FOR DIRECTORS TO ASK:**

- How are we developing our talent to produce strong candidates for succession to executive positions?
- What are we doing to encourage family members who are not designated to leadership positions to continue working in ways that are aligned with our business and with the family's vision?
- As part of our succession strategy, how can we retain talented non-family executives?
- How do we use corporate governance principles and practices to address successions with objectivity and professionalism?

## A KEY PART OF A LARGER PICTURE

As the world becomes more complex and business becomes more global, the role the board plays in the oversight of talent is all the more critical. If, as has been said, an organization's culture will "eat strategy for breakfast[17]," it is of paramount importance for the board to understand and receive assurance from management that the talent risk is being managed proactively. It is both leaders and the broader talent base that define an organizational culture good or bad.

No competitor can replicate an organization's culture or the experience individuals have while building their careers. A talent strategy is a source of competitive advantage that requires astute oversight by the board.

[17] "Culture eats strategy for breakfast," a remark attributed to Peter Drucker and popularized in 2006 by Mark Fields, president of Ford Motor Company.

**ACKNOWLEDGEMENTS**

The Deloitte Global Center for Corporate Governance and Human Capital practice would like to thank all of its professionals who assisted with drafting, editing, and reviewing this alert, including those professionals listed below.

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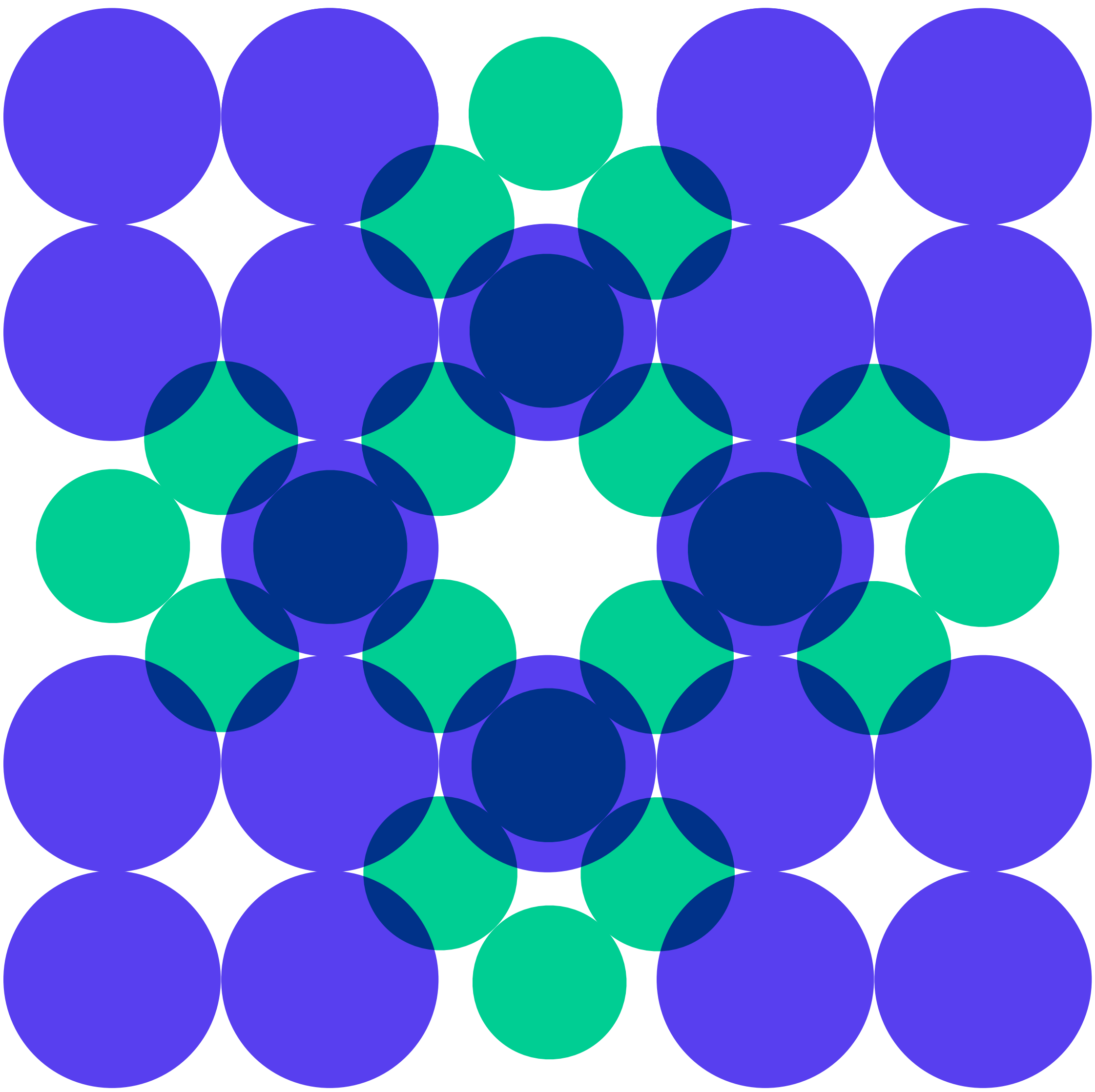
# How Well do Corporate Directors Know Senior Management?

**DAVID F. LARCKER | SCOTT SASLOW | BRIAN TAYAN**



In the fall of 2013, The Conference Board, The Institute of Executive Development, and the Rock Center for Corporate Governance at Stanford University conducted a survey of board members to assess how well corporate directors know the senior executives one level below the CEO (the key set of executives for internal succession to the CEO position). The survey results reveal that, while many interact with senior executives periodically in a boardroom setting, most directors do not have extensive exposure to them outside of the boardroom nor do they have detailed knowledge about their skills, capabilities, and performance.

The findings, discussed in detail below, suggest that companies can improve the quality of their CEO succession and internal talent development programs by fostering regular formal and informal interaction between directors and senior management. This report offers suggestions for boards to help improve the development of senior leaders who could potentially succeed the CEO. (For survey methodology and a respondent profile, see page 6.)

### Low Involvement in Executive Development

Previous research indicates that boards of directors do not have extensive knowledge about talent and succession-related issues at their companies. For example, a 2010 survey by Heidrick & Struggles and the Rock Center for Corporate Governance at Stanford University found considerable deficiencies with the CEO succession planning process at most companies. Only 54 percent of companies reported grooming a specific successor to the CEO position, and 39 percent claimed to have no viable internal candidates to succeed the CEO on a permanent basis if required to do so immediately.

The average company reported spending only two hours per year in the boardroom on succession-related issues, and estimated that it would take 90 days on average to name a permanent successor.[1]

1 Heidrick & Struggles and the Rock Center for Corporate Governance at Stanford University, 2010 CEO Succession Planning Survey, 2010 (www.gsb.stanford.edu/cldr/research/surveys/succession.html).

2 The Center for Leadership Development and Research, the Rock Center for Corporate Governance at Stanford University, and The Miles Group, 2013 CEO Performance Evaluation Survey (www.gsb.stanford.edu/cldr/research/surveys/ performance.html).

3 The Center for Leadership Development and Research, the Rock Center for Corporate Governance at Stanford University, and The Miles Group, 2013 Executive Coaching Survey (www.gsb.stanford.edu/cldr/research/surveys/ coaching.html).

Studies also suggest that boards take a fairly hands-off approach to internal talent development issues. According to a 2013 report, board members pay little attention to the mentoring and development of senior executives, giving this metric, on average, only a 5 percent weighting in the CEO's formal performance evaluation.[2] A separate study finds that only 60 percent of senior executives receive informal coaching or leadership advice from members of the board of directors, while nearly 100 percent report that they find this informal advice useful.[3] Together, these findings indicate that board members have room to increase their level of involvement in the development of promising senior managers.

Our survey builds on these results by directly measuring the degree to which board members interact and engage with senior executives one level below the CEO. Interaction between the board and senior management benefits a company by allowing the board to contribute directly to the professional development of senior leaders. At the same time, boards gain direct insight into the strengths and weaknesses of potential successors to the CEO. In addition, interaction with executives affords directors access to a new source of information and more varied perspective on the company and its performance to supplement the information they receive through official board communications.

### Interaction between Directors and Executives

Survey results show that less than two-thirds (59.5 percent) of companies have a formal talent development plan for senior executives (*Chart 1*).

**Does your company have a formal talent development program for senior executives below the CEO?** *Chart 1*

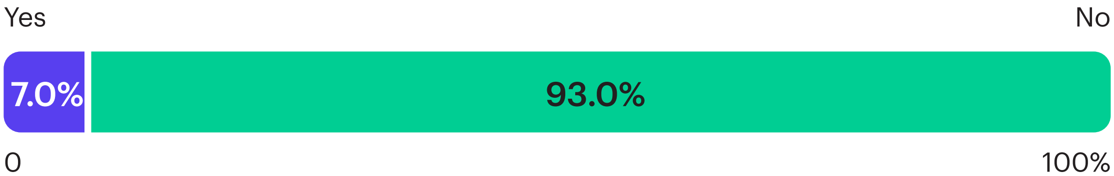

*Source: The Conference Board, IED, Stanford University, 2014.*

Furthermore, only a small percentage of companies (7.0 percent) assign a board member to serve as a "mentor" for senior executives (*Chart 2*).

Three-quarters (74.8 percent) of directors responding claimed they are kept apprised of the development of senior executives (*Chart 3*).

**Does your company assign a board mentor to senior executives below the CEO?**

*Chart 2*

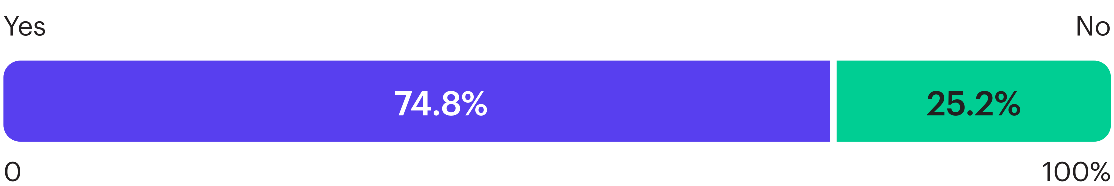



Note: A "board mentor" is a member of the board of directors that agrees to serve as informal coach or advisor to a senior executive. A mentor provides professional advice in the areas of career advancement, leadership skills, and managerial development, and meets with the executive on a regularly scheduled basis. For example, in 2006, CEO Maggie Wilderotter of Frontier Communications implemented a mentorship program whereby each of her direct reports was assigned to work with a board member for two years of coaching. According to Wilderotter, the program benefits executives in terms of professional development and allows directors to get to know senior executives "in a more meaningful way." See Joann Lublin, "Frontier Board Forges Bonds with CEO's Lieutenants," Wall Street Journal, February 22, 2010.

*Source: The Conference Board, IED, Stanford University, 2014.*

**Do nonemployee directors receive updates or progress reports on the development of senior executives below the CEO?**

*Chart 3*



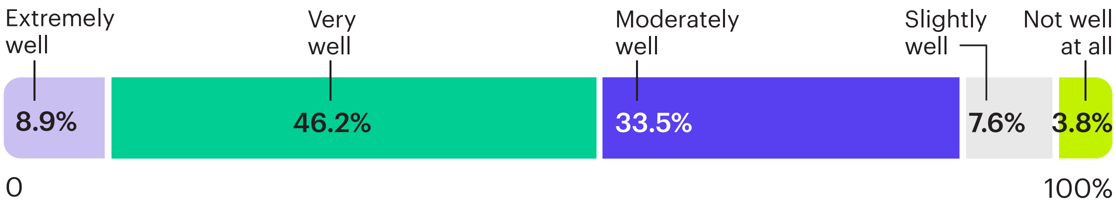

*Source: The Conference Board, IED, Stanford University, 2014.*

However, directors do not claim to have particularly strong insight into the professional capabilities and shortcomings of these executives (*Chart 4*). Just over half (55.1 percent) of directors reported understanding the strengths and weaknesses of senior executives "extremely well" or "very well." By contrast, a third (33.5 percent) said they understand these strengths and weaknesses only "moderately well," and the remainder (11.4 percent) reported understanding them "slightly well" or "not at all well."

Only two-thirds (66.5 percent) of directors reported knowing the full senior management team in a professional manner (*Chart 5*)—for example, by interacting with managers on a specific task or discussing ideas beyond through a formal presentation. Roughly 20 percent of directors reported knowing "more than half" of the management team in a professional manner, and 13.9 percent report knowing "less than half."

### How well do nonemployee directors understand the strengths and weaknesses of senior executives below the CEO?

*Chart 4*




*Source: The Conference Board, IED, Stanford University, 2014.*

### How many members of the senior management team do nonexecutive directors know in a professional manner?

*Chart 5*


*Source: The Conference Board, IED, Stanford University, 2014.*

Outside directors also do not play a formal role in the performance evaluation of senior management. Less than a quarter (22.6 percent) claimed to do so, while a significant majority (77.4 percent) do not (*Chart 6*).

For the most part, directors have exposure to senior executives through a formal board setting. The vast majority of directors (88.7 percent) reported attending three or more presentations per year by senior management in full board meetings (*Chart 7*). These results are not surprising, given the common practice of senior executives making presentations to the board on their specific functional domain, such as the chief financial officer presenting a review of the company's financial information, or the chief marketing officer presenting a review of the marketing strategy.

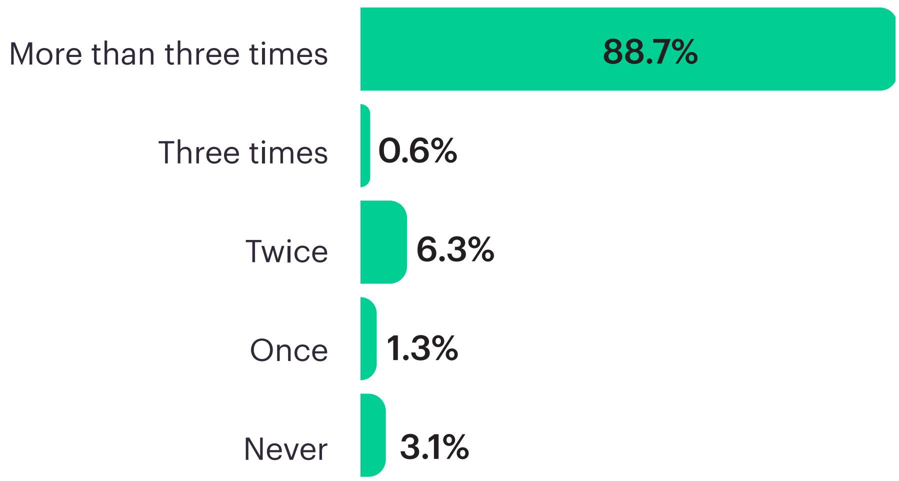
### Do nonemployee directors formally participate in the performance evaluation of the senior executives below the CEO?

*Chart 6*


*Source: The Conference Board, IED, Stanford University, 2014.*

*Chart 7*

**In the last year, how many times was a senior executive below the CEO asked to attend a meeting of the full board of directors for the purpose of making a presentation or weighing in on an agenda item?**

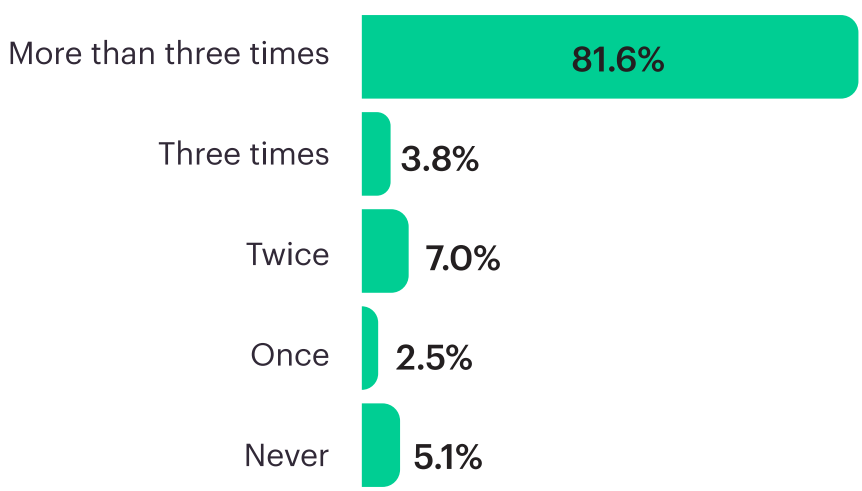



*Source: The Conference Board, IED, Stanford University, 2014.*

In addition, a significant majority of directors (81.6 percent) attend three or more presentations per year by senior management in committee meetings (*Chart 8*).

*Chart 8*

**In the last year, how many times was a senior executive below the CEO asked to attend a meeting of a committee of the board of directors for the purpose of making a presentation or weighing in on an agenda item?**




*Source: The Conference Board, IED, Stanford University, 2014.*

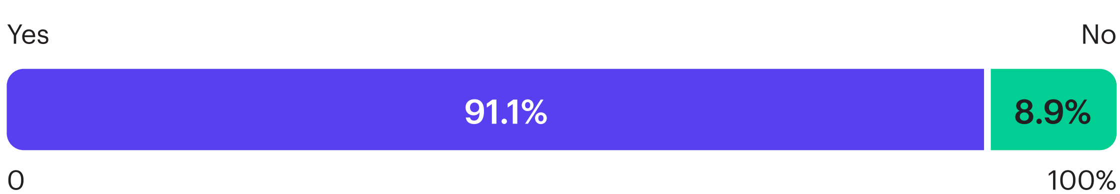
Furthermore, nonemployee directors claim to have direct access to senior management without first receiving approval from the CEO (*Chart 9*). The vast majority (91.1 percent) of directors reported having such access.

However, directors do not take advantage of this access very frequently (*Chart 10*). Just over a quarter of directors (28.0 percent) meet with senior executives outside the presence of the CEO on a quarterly basis. Less than 1 percent do so semi-annually. The majority (65.0 percent) do so "when circumstances warrant," and the remaining 6.3 percent never take advantage of this opportunity.

Consistent with this minimal exposure, only a small minority of directors reported visiting a company office on a regular basis outside of the presence of the CEO (*Chart 11*). Less than 8 percent do so quarterly, 1.4 percent do so semi-annually, and 3.5 percent do so annually. The majority (70.8 percent) claim to do so on an intermittent basis, and 16.7 percent never do so.

Despite these statistics, the large majority of directors (83.0 percent) claim to maintain a short list of senior executives ready to take over the CEO position on an immediate basis, should the need arise (*Chart 12*). The creation of a list, however, is not necessarily indicative of an operational CEO succession plan. Whether a listed candidate is ultimately selected for succession will depend on the quality of the pool of candidates, the degree to which directors truly understand and are comfortable with the strengths and weaknesses of candidates, and whether directors understand the skills and capabilities required for the next CEO to develop in order to execute on a forward-looking strategy for the company.

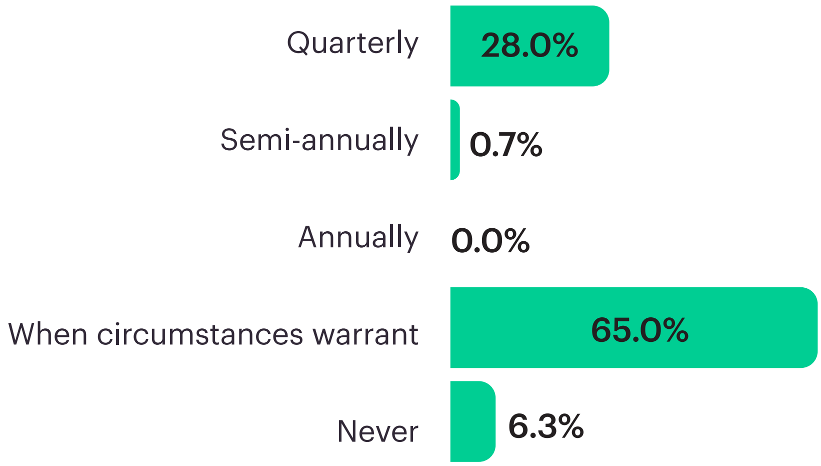
**Do nonemployee directors have direct access to management below the CEO level without CEO approval?** *Chart 9*




*Source: The Conference Board, IED, Stanford University, 2014.*

### How frequently do nonemployee directors meet with senior executives below the CEO without the CEO present?

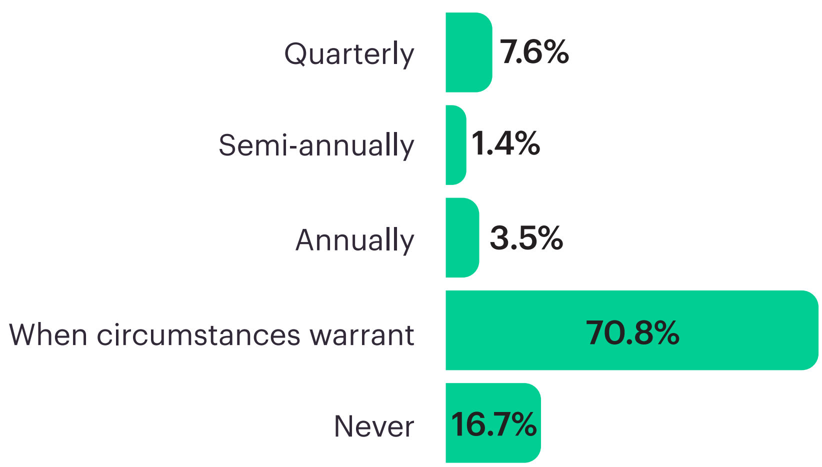
*Chart 10*




*Source: The Conference Board, IED, Stanford University, 2014.*

### How frequently do nonemployee directors visit a company office or work location without the CEO present?

*Chart 11*




*Source: The Conference Board, IED, Stanford University, 2014.*

### Does the board maintain a short list of senior executives considered ready to immediately assume the functions of the CEO should a succession be necessary?

*Chart 12*


*Source: The Conference Board, IED, Stanford University, 2014.*

## OPPORTUNITIES FOR IMPROVEMENT

Taken as a whole, the survey results suggest that board members have only passive involvement in the development of senior leaders one level below the CEO—the very level that includes the key set of potential internal candidates to possibly replace the CEO. On the one hand, directors are kept apprised of the performance of senior executives through intermittent progress reports. They also have some formal exposure to these executives through highly structured board and committee presentations. On the other hand, directors do not generally play a direct role in the development of these individuals through mentorships or regular one-on-one meetings, and the performance evaluations of these executives are prepared primarily by management and without the input of directors. Finally, the reported familiarity that directors have with the strengths and weaknesses of senior executives is not nearly as high as one would expect if these executives are to serve in the pool of potential succession candidates to the CEO.

To this end, we recommend the following:

**Require a formal talent development program with real board involvement** The development of promising employees should not end with their promotion to a senior management level. If anything, given the responsibility that these individuals have over the day-to-day performance of the organization, their development should be ongoing. As leader of the organization, the CEO has the responsibility for creating and implementing a development program for direct reports, and the board of directors should ensure that this work is carried out. All executives—even the most promising—have shortcomings, blind spots, or areas in need of development. The executive and the CEO should work together to identify these and develop a formal plan to address them. Not only should the board members be kept apprised of this process, but the company should also take advantage of their expertise and experience when implementing this talent development activity. Research evidence suggests that senior executives will value their input.

**Connect talent development with succession** The talent development program should not be managed as an isolated exercise. Instead, it should be formally connected to the CEO succession process. The progress of individual executives should be reviewed in the context of their potential to one day assume the CEO position. This is the only way for the board of directors to ensure that the succession plan is actionable and that viable candidates are available and ranked in order of suitability for the job. Of course, to do this, the board must continually discuss and update the required inventory of skills and experiences that characterize what they consider necessary for a new CEO.

**Play an active role** While the CEO is ultimately responsible for the mentorship and development of his or her direct reports, the board can still play an active role. Directors can volunteer to serve as informal mentors or advisors. They can encourage executives to receive professional, third-party coaching, if appropriate. With the approval of the CEO, directors can periodically visit office locations to meet with executives in the context of their everyday work environment. This would allow for a more thorough understanding of executives' professional skills, as well as the operations of the organization. It is important for directors to move beyond interacting with executives "when circumstances warrant" (as is commonly reported). Developing true insight into the professional quality and personal character of an executive requires dedicated time and effort.

**Measure and reward progress** No rigorous work takes place in an organization unless it is measured and rewarded. To this end, the company's succession plan and talent development programs should be benchmarked against industry peers. The board should also require formal progress reports on the development of senior executives. In addition, the CEO should be held accountable for the development of his or her direct reports, with talent development included as a key performance indicator (KPI) in the executive compensation program. By tracking this progress, the board will gain a deeper understanding of the skills and capabilities required to run the organization today and in the future.

## Survey methodology and sample profile

Results are based on a sample of 159 external members of the board of directors surveyed by The Conference Board, The Institute of Executive Development, and the Rock Center for Corporate Governance at Stanford University between October and December 2013.

### Respondent profile by industry

| | |
|---|---|
| Manufacturing | 45.3% |
| Financial services | 11.9% |
| Services | 42.8% |
| Total | 100.0% |

### Respondent profile by revenue

| | |
|---|---|
| Under $500 million | 15.7% |
| $500 million to $999 million | 14.3% |
| $1 billion to $4.9 billion | 33.6% |
| $5 billion to $19.9 billion | 20.0% |
| $20 billion and over | 16.4% |
| Total | 100.0% |

### Respondent profile by market capitalization

| | |
|---|---|
| Under $1 billion | 25.2% |
| $1 billion to $4.9 billion | 35.5% |
| $5 billion to $19.9 billion | 18.7% |
| $20 billion and over | 20.6% |
| Total | 100.0% |

### Respondent profile by stock exchange

| | |
|---|---|
| NASDAQ | 28.3% |
| NYSE | 68.6% |
| Other | 9.4% |

Note: Percentages do not total 100 percent because multiple responses were allowed.

*Source: The Conference Board, IED, Stanford University, 2014.*

The survey results discussed in this *Director Notes* are also included as part of a comprehensive look at board practices in CEO succession planning in the forthcoming research report by *The Conference Board, CEO Succession Practices: 2014 Edition* (RR 1544-14), slated for release in April. The study illustrates year-by-year succession rates and examines specific aspects of the succession phenomenon, including the influence of firm performance on succession and the characteristics of the departing and incoming CEOs. In addition, it includes summaries of 12 episodes of CEO succession that made headlines in 2013, selected to highlight key circumstances of the process.

For more information about *CEO Succession Practices: 2014 Edition,* visit www.conference-board.org/publications or contact Melissa Aguilar at melissa.aguilar@conference-board.org.

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## ACKNOWLEDGMENTS

The authors would like to thank Michelle E. Gutman, Nancy Thomas, and Matteo Tonello for their assistance in the preparation of this survey and article.

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The Institute of Executive Development mission is to drive innovation in executive development. We support business executives, boards, and talent management professionals to benchmark their practices, design their strategies, and create high-impact executive development services. More information is available at www.execsight.com.

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*Director Notes* is a series of online publications in which The Conference Board engages experts from several disciplines of business leadership, including corporate governance, risk oversight, and sustainability, in an open dialogue about topical issues of concern to member companies. The opinions expressed in this report are those of the author(s) only and do not necessarily reflect the views of The Conference Board. The Conference Board makes no representation as to the accuracy and completeness of the content. This report is not intended to provide legal advice with respect to any particular situation, and no legal or business decision should be based solely on its content.

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CHAPTER TWO

# The Imperative to Do It Well, with Intention

There are different ways to approach exceptional talent identification. Those who do it well prioritize it, have an objective process and pursue it with tenacity as an ongoing practice.

5. **How to Spot – and Develop – High-Potential Talent in Your Organization**
   Intagliata et al., Harvard Business Review, 2022

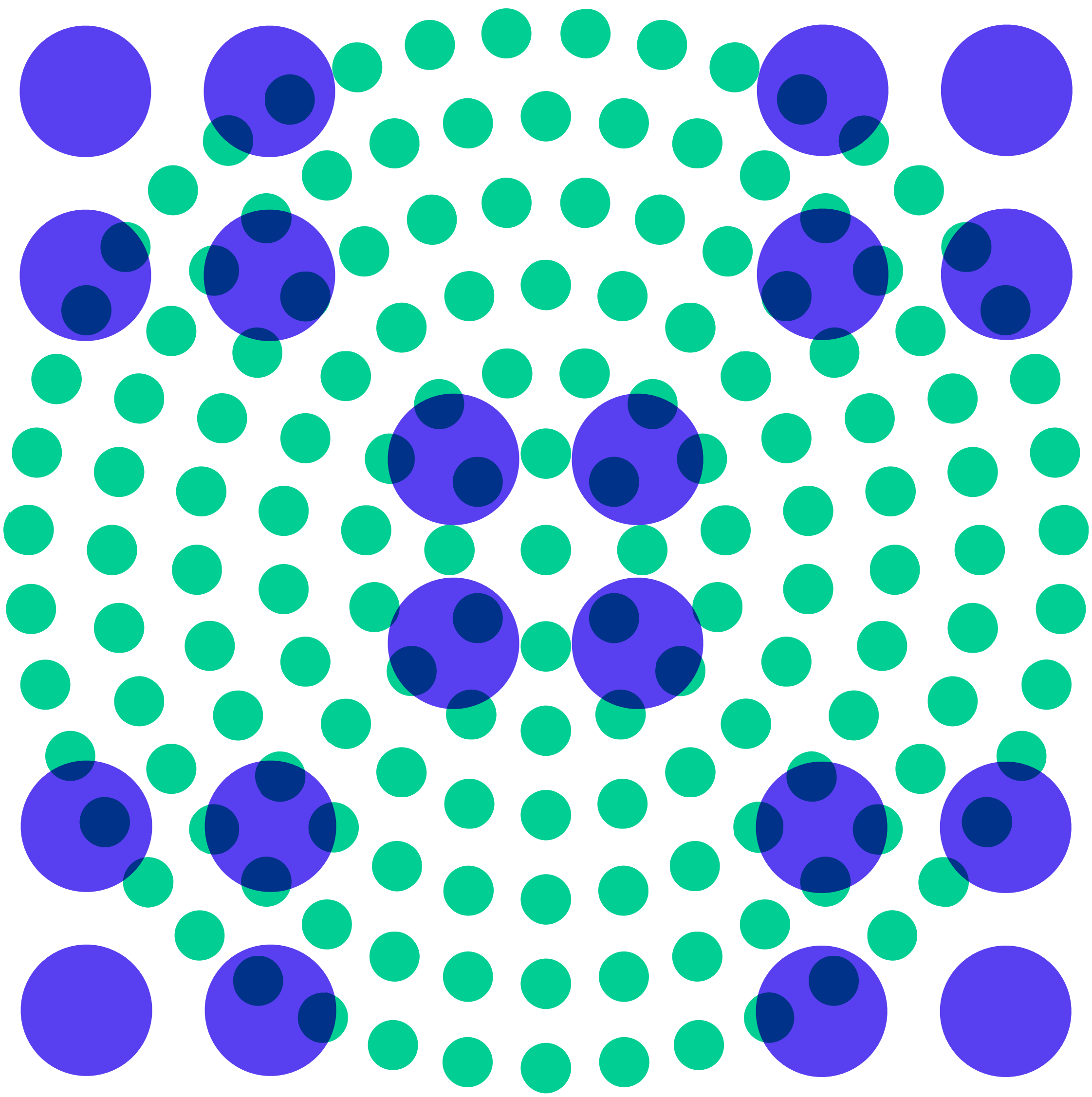
6. **How the Best Managers Identify and Develop Talent**
   Chamorro-Premuzic and Kirschner, Harvard Business Review, 2020

7. **How are Top Companies Designing and Managing their High-Potential Programs? A Follow-Up Talent Management Benchmark Study**
   Church et al., Consulting Psychology Journal: Practice and Research, 2015

Harvard Business Review 2022

# How to Spot—and Develop—High-Potential Talent in Your Organization

**JAMES INTAGLIATA | JENNIFER STURMAN | STEPHEN KINCAID**



Harvard Business Review | Digital Article

Organizational Development

# How to Spot — and Develop — High-Potential Talent in Your Organization

by James Intagliata, Jennifer Sturman, and Stephen Kincaid

# How to Spot — and Develop — High-Potential Talent in Your Organization

by James Intagliata, Jennifer Sturman, and Stephen Kincaid

Published on HBR.org / May 26, 2022 / Reprint H072D5

Max Zerrahn/Getty Images

**Organizations struggle to identify their next-gen leaders,** and for good reasons. When you don't know what the future will bring, how do you figure out who has — or can acquire — the right strengths to meet those challenges? Which high potentials will give you the best return on your development efforts?

Faced with these uncertainties, businesses tend to focus on what they *do* know: They look for people who've taken on more responsibility in their careers or have nailed their performance targets. In short, they look for future leaders by focusing on past track records. And this approach can work well if you're filling a known role and candidates have had chances to demonstrate the required skills and characteristics.

But past performance doesn't tell you who can do things they *haven't* done before. It also doesn't help identify high potentials earlier in their career. Your leadership pipeline could be missing out on other, potentially richer sources of talent — people who haven't had equitable access to mentoring, sponsorship, development, and advancement opportunities.

To tackle this problem, we developed a model for predicting leadership potential that's grounded not in achievements but in observable, measurable behaviors. Drawing on a database of more than 23,000 candidate assessments for roles at public and private companies, we conducted in-depth analyses of 1,500 individuals, from entry-level professionals to senior leaders. We examined their behaviors and isolated three psychological markers that reliably predict individuals' ability to grow and handle increased complexity in new roles:

- **Cognitive quotient (CQ)**: how they leverage their intellect
- **Drive quotient (DQ)**: what motivates them and how they apply their energy
- **Emotional quotient (EQ)**: how they interact with those around them

While these markers are rooted in intellect, motivations, and interpersonal style, they don't provide raw measures of these qualities, as personality tests and other tools often try to do. Instead, they capture how people use these qualities on the job, and together, they give organizations a concrete, objective way to gauge leadership potential, regardless of candidates' depth of experience.

Let's look at telltale behaviors in each psychological area — both table stakes and higher-level differentiators that signal capacity for future leadership roles.

### Cognitive Quotient (CQ)

Many organizations focus mainly on intellectual horsepower when considering their leadership bench. After all, it's a valuable quality, and we have tools to gauge it: academic transcripts, psychometric tests, and case-based interviews designed to evaluate analytical acumen. We often assume people who do well by these measures are probably "bright enough" to learn whatever they'll need to know to succeed in the future.

But these common measures can be steeped in bias. They favor candidates who attended elite schools, those who've already secured plum early-career positions, and those who know how to jump through the requisite hoops. They also favor book smarts over practical smarts and commercial instinct.

To measure CQ, you'll want to search for the more advanced behaviors that distinguish people who use their intellect to solve for the right problems. Do they routinely step back from their tasks to see things from the perspective of their manager (or their manager's manager)? When considering which path to take, do they try to look around corners to anticipate the unexpected? When making decisions, even small ones, do they ground their thinking in how they can create value for the business?

### Drive Quotient (DQ)

When we talk about drive, we're not just describing motivation to excel, a strong work ethic, and persistence. Although these qualities matter, they're relatively common among aspiring leaders.

The differentiator here is how people apply their energy — not just to maximize their own performance but to develop and leverage the capabilities of others (a distinction we see overlooked in many models).

People with high DQ push past their comfort zones and attack new challenges with relish. They're also resilient: When they experience a setback, they reset and reframe and try again. Most importantly, they continually strive to improve not just as individuals, but to amplify results at the organizational level.

### Emotional Quotient (EQ)

Companies know they need leaders with emotional intelligence, but in our experience, they tend to focus on basics, like self-awareness, getting along with people, and being able to read the room. Again, these skills are necessary but not sufficient.

To find people with high EQ, the differentiators we identified in our research suggest that you should search for individuals who engage for impact — for instance, those who are intentional about channeling their insights to influence stakeholders and negotiate outcomes. In addition, look for those who are able and willing to deliver difficult messages with courage and empathy.

### Testing the Model

Over the past five years, we've used this model extensively to validate and apply our findings. In one double-blind study looking only at the earlier phases of leaders' careers, the three markers of CQ, DQ, and EQ accurately differentiated those who later made it to the C-suite from those who didn't two times out of three. The model significantly outperforms typical success rates for hiring and promotion decisions, which tend to be a 50/50 roll of the dice.

In another study, conducted over several years, within one organization, we used our model to assess the potential of more than 1,800 candidates for key leadership and/or functional roles. Managers made independent decisions about hiring and subsequent performance; we didn't share our ratings. In our analyses that followed, we found that the people we had rated highly on potential were more than three times as likely to be evaluated by their managers as top performers in their first year and even more likely to be top performers in their second year, third year, and even their fourth year. They were also less likely to be involuntarily terminated.

These results suggest that what we are measuring is not merely the acquisition of skills but a style of thinking and working that sets the stage for ongoing growth and success.

## Using the Model to Develop Potential

To tap leadership potential earlier — and more effectively — organizations can build a few key steps into their talent processes.

Start by educating managers on what to look for when recruiting and screening early-career hires, conducting evaluations, managing performance, and selecting candidates for development opportunities. Explain that performance on its own is not a proxy for potential, and ensure managers know how to recognize CQ, DQ, and EQ in individuals who don't have a track record or whose backgrounds don't fit the same mold as previous generations of leaders.

Organizations can also develop "potential profiles" as part of their performance management and talent development processes. Managers can accelerate professional growth by assessing employees' CQ, DQ, and EQ skills and providing coaching on how to develop and refine them.

To build the strategic muscle associated with CQ, we often recommend having people attend meetings with senior leaders to observe and gain a broader perspective on the business. Managers can also give employees assignments that require them to engage with other parts of the organization — through these experiences, they can discover how to connect dots across units or functions. Encouraging employees to participate in industry conferences and events will help them gain exposure to the issues and questions that are top of mind for leaders beyond their own organization.

DQ can be developed through stretch opportunities that test people in new ways. Try rotating aspiring leaders into different markets or areas of the business, for example, or giving them bigger teams to manage — and then see what they do to get themselves up to speed. Do they wait to be told which skills to sharpen, or do they proactively seek feedback on what they need to learn and how to go about it?

To help high potentials build their EQ, start with organizational culture. Spell out the "unwritten rules" for engaging with one another. Once they have a handle on those, task them with mapping their stakeholders, and make building these relationships an explicit development objective. You can also introduce them to tools and frameworks that will deepen their understanding of how they're personally wired, what makes others tick, and how to speak to others' needs.

## Case Study: Developing a High-Potential Leader

A Fortune 500 company engaged us to help identify and develop their high-potential pool. Most of our work was with leaders two levels below the C-suite.

Maya* was three levels down and only included when a spot in our program unexpectedly opened up. She was an unknown to many of our client's senior leaders, and those who did know her had a negative impression, telling us she was "too young," "too eager to please," and "lacked gravitas."

However, when we did our initial assessment, we were impressed by how she approached complex problems, evaluating multiple scenarios rather than quickly locking in on a single answer, and factoring in the broader industry context and competitive dynamics. We rated her highly on CQ.

Maya distinguished herself on DQ as well. Her parents were immigrants working blue-collar jobs, so she chose the college that may have lacked a prestigious brand but offered her the most attractive financial package. She excelled there before joining our client, where she was soon on an accelerated path. What made her stand out, however, was how even in her earliest roles she sought out opportunities for stretch assignments. She also volunteered for and became a leader of the company's women's mentorship initiative.

EQ was Maya's weakest area. The flip side of her drive to deliver results was that she didn't invest time in building relationships. As a result, she struggled in situations where the facts and data weren't enough to make her case and she had to use persuasion to advance her objectives. She also tended to work around conflicts rather than have tough conversations with colleagues.

We coached her on being more intentional about getting to know her stakeholders and managing how she "showed up" with them. We guided her on ways to tackle difficult issues head on and held her accountable for doing so. We also recommended a rotation to an assignment that would test her ability to work cross-functionally.

Over the course of the next 24 months, she jumped two levels to land in a high-visibility role where she is thriving. Her new boss describes her as a “rock star,” and she has jumped to the top of the list for consideration for C-suite feeder roles.

• • •

One final note: Many behaviors are readily coachable — for example, people can learn how to more effectively influence and persuade. Others may be harder to change, like thinking more conceptually or strategically. So when considering someone’s potential to succeed in a new leadership role, take into account how readily any missing behaviors can be learned and put into practice.

CQ, DQ, and EQ are each valuable in their own right. But together, these markers can help your organization identify and develop the next-generation leaders needed to navigate unknown challenges ahead. And they’ll allow you to tap a much larger, deeper, more diverse leadership pool than you realized you had.

** Name changed to preserve confidentiality*

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Harvard Business Review 2020

# How the Best Managers Identify and Develop Talent

**TOMAS CHAMORRO-PREMUZIC | JONATHAN KIRSCHNER**

Digital Article

Hiring And Recruitment

# How the Best Managers Identify and Develop Talent

Seven tips for building a better pipeline. **by Tomas Chamorro-Premuzic and Jonathan Kirschner**

# How the Best Managers Identify and Develop Talent

Seven tips for building a better pipeline. **by Tomas Chamorro-Premuzic and Jonathan Kirschner**

Published on HBR.org / January 09, 2020 / Reprint H05CIC

HBR Staff/Getty Images

**Great managers are typically experts in their** fields with a strong performance history and an interest in being in charge. But to lead effectively they need to develop another skill, one that is often overlooked: talent management.

The ability to see talent before others see it (internally and externally), unlock human potential, and find not just the best employee for each role, but also the best role for each employee, is crucial to running a topnotch team. In short, great managers are also great talent agents.

But becoming a great talent agent is not always easy. It requires us as leaders to be more open minded and to throw away outdated, albeit popular, hiring tactics. Too many of us look for talent in the same old (wrong) places, or follow the popular trend of thinking the “best hire” is the “best culture fit.” These approaches undermine efforts to boost diversity (demographically and cognitively) and ultimately hinder creativity and innovation.

While there is no one “best” way to hire talent, there certainly are better approaches than those we have relied on in the past. After carefully scrutinizing the performance of what makes a competent and incompetent boss, my colleagues and I have outlined seven science-based recommendations to help you update your hiring tactics, and develop your talent management skills along the way.

**1) Think ahead.**
Oddly, prospective employees are often asked during job interviews what their five-year career aspirations are or where they see themselves in five years; yet few managers ask themselves what their five-year talent strategy is. Most leaders know what kind of talent they are looking for in the moment, but far fewer think ahead to figure out whether or not their new hire has skills that align with their long-term strategy. If you know where you want to go, focus your efforts on hiring someone with the skills, abilities, and expertise you will need to move forward. Don’t assume everyone you have today will stay. You must simultaneously play the long game while executing your shorter term goals.

**2) Focus on the right traits.**

The two biggest mistakes managers make when they evaluate other people's talents are: focusing too much on their past performance (even when they lack reliable metrics) and overrating the importance of their resume, hard skills, and technical expertise. The World Economic Forum predicts that 65% of today's jobs will no longer be around in 15 years. This means that leaders cannot place too much emphasis on the current educational curriculum, which is primarily designed to prepare people for present, rather than future, jobs. While we may not be able to guess what those jobs will be, it is clear that people will be more equipped to do them if they have certain soft skills, such as emotional intelligence, drive, and learnability. They are the foundational traits that determine new skill and knowledge acquisition. Moreover, these foundational aspects of talent are likely to become even more important with the rise of AI.

**3) Don't go outside when you can stay inside.**

Firms often hire externally when they could source better talent from within. Scientific reviews show that external hires will take longer to adapt and have higher rates of voluntary and involuntary exits — yet, they are generally paid more than internal candidates. That's why it's valuable to look for talent internally before you search outside your organization. Internal hires tend to have higher levels of adaptation and success rates than external hires, not least because they are better able to understand the culture and navigate the politics of the organization. They are also more likely to be loyal and committed to their company. Further, promoting internal candidates boosts other employees' engagement.

**4) Think inclusively.**

Most managers have a tendency to hire people who remind them of themselves. This tendency harms diversity and inhibits team performance. When we hire people just like us, we reduce the probability of creating teams with complementary skillsets, those with different and even opposite profiles. The only way to think about talent inclusively is to embrace people who are different from you and others already on your team. But we suggest you take it a step further and celebrate people who challenge traditional norms. The engine of progress is change, and change is unlikely to happen if you only hire people who perpetuate the status quo. We all know that companies with a diverse talent pipeline tend to have better financial results.

**5) Be data-driven.**
Every human — managers are no exception — makes bad decisions from time to time. But very few are interested in acknowledging this, which is why hiring biases are often so pervasive. In fact, research shows that hiring managers would rather inflate performance ratings than admit they hired the wrong person. Those of us in positions of power, therefore, need to be extra self-critical and test the outcomes of our decisions. For instance, when you hire someone, outline clear performance goals that can be easily evaluated by others, and see whether your view of their performance aligns with what others think and see. Likewise, before you nominate someone as a high-potential employee, arm yourself with solid data and evidence to ensure that your decision is fair and sensible, even if the future proves you wrong. Talent identification is an ongoing process of trial and error, and the point is not to get it right, but to find better ways of being wrong.

**6) Think plural rather than singular.**
We live in a world that often glorifies individualism and bemoans collectivity. However, almost everything of value that has ever been produced is the result of a collective human effort — people with different backgrounds coming together to turn their unique talents into a high performing synergy. Thus when you think about your talent pipeline, focus less on individuals and more on the configuration of your team: will people work together well, are they likely to complement

each other, and do their functional and psychological roles align with what the team needs? On great teams, each individual is like an indispensable organ in charge of executing a specific function, making each part different from others, and the system greater than the sum of its units. Talent agents know that for teams to be successful, the individuals on them must embrace a "we before I" attitude.

**7) Make people better.**
Great managers recognize potential where others don't — and so do great talent agents. No matter how skilled your employees may be, you still need to help them grow in new ways. No matter how much an employee is struggling, you are responsible for attempting to help them find their footing. As professors Herminia Ibarra and Anne Scoular recently noted, "The role of the manager, in short, is becoming that of a coach." This means mastering the art of giving critical feedback, including the ability to have difficult conversations and address poor performance. It also means predicting your future talent needs so that you can stay ahead of the demand and have people on your team remain relevant, valuable assets for years to come. As our ManpowerGroup research surveying nearly 40,000 organizations across 43 countries shows, almost one in two employers report that they just cannot find the skills they need, which suggests that their talent planning strategies are not effective enough.

In sum, being a great manager is, in large part, about being an expert in talent matters. Fortunately, there is a well-established science of talent management, grounded on decades of industrial-organizational and management research. But unless you know how to apply it, this science is useless. And the most important part of this process is to never stop thinking about your employees' potential and talent. No other factor is likely to make such a big difference when it comes to building a high performing team.

 

*This article was originally published online on January 09, 2020.*

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Consulting Psychology Journal:
Practice and Research

2015

# How are Top Companies Designing and Managing Their High-Potential Programs? A Follow-Up Talent Management Benchmark Study.

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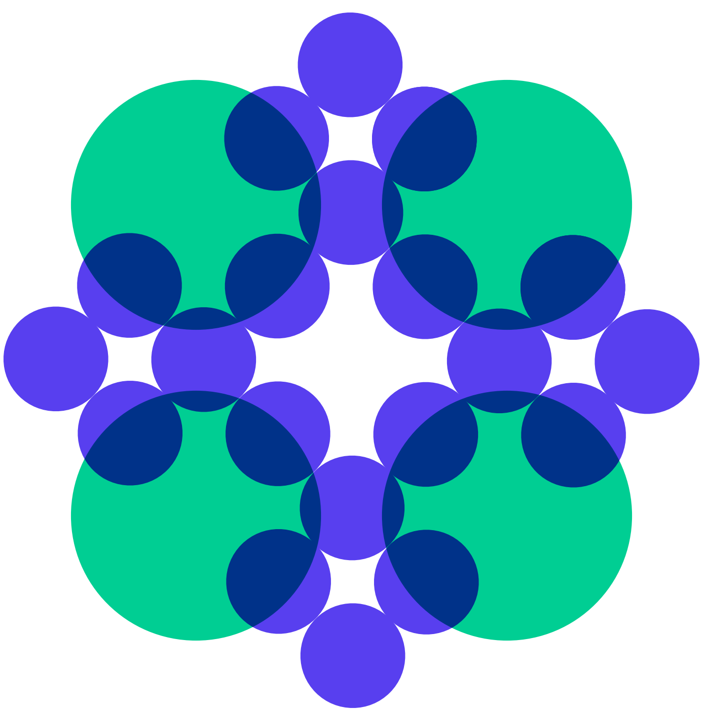

## ABSTRACT

The assessment and development of leadership potential in organizations is a critical factor in an effective talent management strategy. Given the business environment, war for talent, and greater involvement from Boards of Directors on succession planning many organizations have prioritized their high-potential identification practices over other human capital goals. Although much has been written about theories and tools in the area of high-potential assessment, there remains little independent guidance for practitioners looking to compare practices across organizational settings. This article represents a follow-up study to Church and Rotolo (2013) based on responses from 80 top leadership development companies on their high-potential and senior executive talent programs and assessment practices. The results of this more in-depth study focus on how organizations define leadership potential, content domains being assessed today, and various other design elements including degree of transparency of high-potential labels, shelf-life of assessments, talent distributions, and access to results. Attitudes toward assessments, including performance impact, are also discussed. The article concludes with summary observations and implications for industrial–organizational psychologists, consulting psychologists, and talent management professionals.


The assessment and development of current and future leaders in organizations is one of the most critical components of an effective talent management (TM) strategy. Given the hypercompetitive business environment, constant war for talent, and greater interest and involvement from Boards of Directors on senior succession bench strength, it is not surprising that only 18% of HR professionals rate their organization as strong in available leadership bench (Hanson, 2011). In response to these issues, many organizations have prioritized high-potential identification processes among their top talent management goals (Silzer & Church, 2010). Although much has been written about specific theories and applications in this area, focusing on, for example, particular assessment methodologies (e.g., Groth-Marnat, 2009; Scott & Reynolds, 2010; Thornton, Hollenbeck, & Johnson, 2010), the role of experiences and learning (e.g., Lombardo & Eichinger, 2000; McCauley & McCall, 2014) and defining models of leadership potential (Church & Silzer, 2014; Ready, Conger & Hill, 2010; Silzer & Church, 2009), there remains little independent guidance for practitioners looking to compare detailed practices.

Although some interesting research does exist (e.g., AMA Enterprise, 2011; Campbell & Smith, 2010; Church & Rotolo, 2013; De Meuse, Dai, Hallenbeck & Tang, 2008; Hagemann & Mattone, 2011; Ready et al., 2010; Silzer & Church, 2010), much of it is limited in generalizability because it has been based on either


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The authors thank Cara Fay Wade for her contribution to the design of the survey effort and the members of the Conference Board's Council of Talent Management I and II for their support and participation in the data collection process.



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convenience samples (e.g., program attendees), and/or sponsored and published by organizations supporting a specific product, tool or agenda (e.g., white papers and research reports). In addition, many questions remain unanswered and merit research to further guide practice. Some of the more significant questions include the types of content domains that are used for assessments, how transparent companies are with their high-potential designations, as well as other design and process elements (Church & Rotolo, 2013).

Although talent management practitioners share information informally among each other at professional networks, conferences and groups such as the Conference Board's *Council of Talent Management Executives*, this informal, undocumented approach to benchmarking does not always meet the needs of senior leaders in corporate settings or provide visibility to other practitioners and researchers in the field. Therefore, in response to this need, we conducted a follow-up benchmark study to Church and Rotolo (2013), one of the few studies conducted with a large independent sample of organizations (n = 84). The follow-up survey used an almost identical methodology to shed light on topics unexamined in the first benchmarking study that are pressing issues for talent management practitioners. Specifically, we focused on three key areas: (a) general characteristics of high-potential talent programs, (b) assessment practices for high-potentials and senior executives, and (c) assessment program outcomes.

We begin with a brief summary of key components of high-potential programs in organizations highlighting important but unanswered questions from practitioners regarding the use of these processes. Next, we will discuss the range of criteria used in practice today to classify high-potentials including various content domains in the context of the Leadership Potential *BluePrint* (Church & Silzer, 2014; Silzer & Church, 2009), a new framework of potential. Survey results of the current benchmark study are then presented.

## UNANSWERED QUESTIONS ABOUT HIGH-POTENTIAL PROGRAMS IN ORGANIZATIONS

In general, it would be difficult to argue that there is a single best way to design a high-potential talent process or program. Although guidance from theory and practice exists for many specific components, given the unique dynamics of organizations it is generally accepted that one size does not fit all. The most successful talent processes are those which are customized and fully integrated with the business strategy (Boudreau & Ramstad, 2007; Cappelli, 2008; Silzer & Dowell, 2010). Thus, the design and execution of a high-potential program should be approached from the same systems perspective (Burke & Litwin, 1992; Katz & Kahn, 1978) as any other organizational change intervention, taking into account such factors as strategy, senior leader behaviors, reward systems, structure, and employee needs. Although many executives and TM practitioners would prefer to approach their high-potential initiatives in the simplest manner possible, this may not result in the best solution long-term. It is important that the design of these talent systems balance impact and simplicity with science and data (Church, 2014; Effron & Ort, 2010).

As a consequence of this tension, there are a number of key questions that have been raised repeatedly by practitioners with respect to the design and execution of high-potential talent programs. Some of these are quite strategic such as what are the underlying components of future leadership potential?; or How many companies are using assessment results for development only versus decision-making? Other questions are more tactical in nature such as what is the average shelf-life of an assessment process, or what percentages are targeted annually? Unfortunately, despite the popularity of these topics there is little research or benchmarking data available for practitioners. Therefore, we sought to provide answers to both strategic and tactical key questions, presented in a list in *Table 1.*

What we do know from the literature is that different types of companies are using a wide variety of criteria to define their high-potential future leaders (e.g., AMA Enterprise, 2011; Campbell & Smith, 2010; Hagemann & Mattone, 2011; Ready et al., 2010; Silzer & Church, 2010). Some of these approaches focus on contextual variables such as prior performance, others rely on judgment factors such as ability to move a certain number of levels, and still others reflect content domains used for assessment (*see Figure 1* for a summary).

In fact, theory and practice in this area are so dispersed and inconsistent that it prompted Silzer and Church (2009) to conduct a comprehensive review and introduce a new integrating framework called the Leadership Potential *BluePrint* (Church & Silzer, 2014). Although the underpinnings and constructs of the *BluePrint* are grounded in theory and research, and the framework has been well received in practice, to date there is no focused research on its application in practice. Our study aimed to fill this gap.

*Table 1* **Research questions regarding high-potential programs**

| Strategic Questions | Tactical Questions |
|---|---|
| What are the underlying components of future leadership potential? | What are the most commonly used tools and measures to assess employees? |
| What is the range and optimal percentage of high-potentials to have in a company? | What percentage of a given target population should be assessed each year? |
| What is the best way to evaluate the maturity level of a high-potential program? | What is the average shelf-life of an assessment program? |
| How transparent are organizations with employees about their high-potential status? | What depth of assessment results should each stakeholder be allowed to review? |
| Are assessments being using for development only or talent management related decision making or both? | Do members of the Board of Directors see assessment results and if so what type? |
| What is the impact of assessment on individual performance? | Are employees anxious about assessment programs, and what is the level of interest in seeing their data? |

*Figure 1* **Sample variables used to classify and identify high potentials.**

| 1. Contextual Factors | 2. Judgment Factors | 3. Content Domains |
| --- | --- | --- |
| Performance | Level Jumps | Cognitive |
| Mobility | Speed of Promotion | Personality |
| Demographics | Specific Talent Pools | Motivation |
| Prior Experiences | Destination Roles / Targets | Learning |
| | | Leadership Competencies |
| | | Functional Knowledge |
| | | Values |
| | | Engagement |

Another topic with limited research is the area of transparency. Perhaps one the of most interesting questions for TM leaders, chief human resource officers (CHROs) and senior executives is whether or not organizations should be transparent and tell employees their high-potential status. While the sharing of this information has been hotly debated in the trade literature, there is little data on how organizations address the issue today in practice. Ready et al., (2010), for example, referred to this as an "evergreen question" and reported that approximately 85% of companies tell employees their status today. Similarly, Silzer and Church (2010) reported that most of the 20 companies in their study inform individuals. Neither studies focused specifically on the topic, however, nor were the samples large enough to be considered generalizable. The only study that addressed the issue directly is Campbell and Smith (2010) which interestingly did so from the participants' point of view. Based on leadership program attendee self-report data, 91% indicated they know their own status (53% had been told they were high-potentials, 7% had been told they were not, and 31% figured it out on their own). While intriguing, because these data are from program participants rather than unique companies, it is difficult to draw conclusions for practice. Thus, we included transparency as a topic in the survey.

## WHAT IS KNOWN AND UNKNOWN ABOUT ASSESSMENT PRACTICES

The study by Church and Rotolo (2013) presented a useful overview of assessment practices in the field today using data collected from 84 companies with well-established talent management functions. *Table 2* summarizes the key findings from that study. While these trends are useful, several other key questions were not addressed. One of the most important of these, and of particular interest to us, were the specific content domains being assessed in the field today. Although the prior study provided some insight into content areas (e.g., cognitive skills), the data was largely focused on tools versus constructs. Given the level of effort directed at defining and measuring future leadership potential in corporations today, we wanted to better understand practices across specific domains as well.

*Table 2* **Summary of assessment practices survey by church and rotolo (2013)**

| Summary |
| --- |
| Overall, 70% of the 84 top development companies responding to the survey were actively using assessments in their organization. |
| Of those companies conducting assessments, 90% were targeting senior executives, and 75% were targeting high-potentials. |
| Development was the single most frequently cited purpose of assessments at 82% for high-potentials and 74% for senior executives. |
| Overall, however, assessments were used for both development and decision-making approximately 60% of the time, followed by development only strategies (30% to 40%). |
| Assessments were more commonly used with high-potentials for talent identification (50%), while for senior executives there was a greater emphasis on the use of assessments for succession planning (47%). |
| The three most commonly used assessment tools for both high-potentials and senior executives were 360-feedback, personality inventories, and interviews (at approximately 60% each). |
| Biodata, simulations, cognitive ability tests, career inventors, and assessment centers all ranged from about 30% to 40% in utilization. |
| Most companies employed more than one type of tool (M = 4.54) in their high-potential assessment suite. |
| Companies reported using a mix of internal and external resources for their assessment efforts with an even mix for high-potentials, but a greater reliance on externals only versus internals (47% versus 11%) for senior executives. |

To do this we used the Leadership Potential *BluePrint* (Church & Silzer, 2014; Silzer & Church, 2009) as a starting point for the dimensions to be measured. As noted above, the *BluePrint* is an integrative conceptual model for defining high-potentials based on a comprehensive review of theory, research, internal, and external practice materials in the field. The model identifies a set of key dimensions (i.e., capabilities, attributes, and skills) that holistically define a leader's future potential to be successful in more senior leadership roles over time. These dimensions or content domains *(see Figure 1)* are both additive (they can impact each other) and independent (an individual can be strong on one and less so in another). The *BluePrint* does not include judgment factors such as a specific number of levels, speed of promotion, type of end-state talent pool, or singular construct as many other definitions and models do today. Nor are contextual factors such as performance or mobility included in this definition of potential either.

In summary, the model posits that future leadership (or high-) potential is comprised of three core dimensions: (a) Foundational: personality & cognitive skills, (b) Growth: learning ability and motivation, and (c) Career: leadership and functional capabilities. These dimensions differ progressively in both their ability to be developed (Church, 2014), and their relevance to answering the "potential for what" question. The *BluePrint* is currently in use in talent management programs at several large organizations including Citibank, Eli Lilly, and PepsiCo (Church & Silzer, 2014). Because there is as yet no empirical research testing the viability of the *BluePrint* in practice, we sought to contribute in this area.

The final topic of interest concerned outcomes of the process. How do participants and others feel about assessments? Is there pull for the data? Who gets access to what types of results? Aside from the scant guidance provided by the Joint Committee on Testing Practices' (2000) *Rights and Responsibilities of Test Takers*, the Society for Industrial and Organizational Psychology (1987) *Principles for the Validation and Use of Personnel Selection Procedures*, and similar testing guidelines, there is little applicable guidance surrounding who else should see the data or what companies are doing today. This issue is also of particular interest to those talent management practitioners with Board level c-suite succession accountabilities, as sharing assessment data with this group could have significant financial and career related consequences for senior leaders. Thus we added this component to the survey.

## ASSESSMENT PRACTICES AND HIGH POTENTIAL BENCHMARK STUDY

In sum, this study was designed to contribute new and independently gathered benchmark knowledge regarding the state of high-potential programs and assessment practices in top development companies. It was intended to be an extension of the findings collected from the original assessment practices benchmark survey conducted by Church and Rotolo (2013). The survey administration occurred in the early part of 2014. As in the prior study the research was initiated and sponsored by the authors without affiliation to any consulting services, assessment tool, or TM related product offering. In general, survey questions targeted three areas: (1) characteristics of high-potential programs in general; (2) new details on assessment processes, including content domains assessed; and (3) perceptions of the assessment process from various constituent groups. The remainder of the items focused on either high-potential programs or specific assessment applications and processes.

## METHOD

### Sample

As in the prior study this research was intended to provide an overview of the current state of talent practices among major corporations that place a premium on leadership development efforts. It was not intended to represent trends across all types of organizations. Given this objective, a targeted sampling approach was used for data collection identical to that employed in 2013. This meant inviting the membership roster of a senior talent management professional council with fixed criteria for entry, augmented by other select senior leaders in TM, Organization Development (OD), industrial–organizational (I-O) psychology, and internal consulting positions in other well-respected organizations. The latter were selected based on external presence at conferences and publications, as well as recognition in top company lists. Collectively and for discussion purposes we have labeled this population as "top development companies" to distinguish them from other types of organizations. Individuals in this sample are directly responsible at the senior most levels for their high-potential and executive talent practices, ensuring the data obtained are credible.

In total, individuals from 111 unique companies were invited to participate in the benchmark study. In terms of comparability, 95 of the companies invited were the same from the prior survey, and 87 of the individuals contacted (92%) appeared to be in the same roles. The remaining 16 companies were newly invited either because they were now members of the professional organization sourced or because they were identified in our scan of the industry as meeting the criteria. Because the questionnaire for this second study was somewhat longer than the first, we also anticipated a lower response rate, thus the slightly larger sample was helpful. Given the sample characteristics, results from this study can be considered an extension of those reported by Church and Rotolo (2013), facilitating comparisons and the ability to check consistency of trends previously reported.

Because of the sensitivity of the information being requested in the survey, we pursued an anonymous methodology as in 2013. This approach was taken to maximize response rates and honesty in the data. Demographic data from publicly available sources is listed in Table 3 for the total number of organizations invited to participate. These demographics are almost identical to the sample invited in 2013.

*Table 3* **Organizational characteristics of invited survey sample**

| Characteristic | Option | 2013 | 2014 |
|---|---|---|---|
| **Type of organization** | Public | 88.4% | 89.2% |
| | Private | 7.5% | 7.2% |
| | Other | 4.1%[a] | 3.6% |
| **Number of employees** | 150,000+ | 28.4% | 27.9% |
| | 100,000–149,999 | 8.4% | 7.2% |
| | 50,000–99,999 | 24.2% | 25.2% |
| | 10,000–49,999 | 31.6% | 32.4% |
| | 1–9,999 | 7.4% | 7.2% |
| **Headquartered** | U.S. | 92.6% | 91.0% |
| | Outside U.S. | 7.4% | 9.0% |
| **Countries w/operations** | 100+ | 19.2% | 25.5% |
| | 50–99 | 22.3% | 20.9% |
| | 10–49 | 28.7% | 29.1% |
| | 2–9 | 16.0% | 12.7% |
| | 1 | 13.8% | 11.8% |
| **Industry group** | Automotive, transportation | 5.3% | 6.3% |
| | Chemical, materials | 0.0% | 2.7% |
| | Construction | 3.2% | 2.7% |
| | Consumer products, apparel | 9.5% | 8.1% |
| | E-commerce, Internet | 3.2% | 2.7% |
| | Energy | 3.2% | 3.6% |
| | Entertainment, media | 2.1% | 2.7% |
| | Financial, professional services | 14.7% | 15.3% |
| | Food, restaurant | 8.4% | 9.9% |
| | Hospitality | 2.1% | 2.7% |
| | Insurance | 8.4% | 7.2% |

*Table 3* **Organizational characteristics of invited survey sample**

| | | | |
|---|---|---|---|
| | Manufacturing | 11.5% | 10.8% |
| | Pharmaceuticals, health care | 9.4% | 8.1% |
| | Retail | 7.4% | 6.3% |
| | Technology, software | 8.4% | 8.1% |
| | Telecom | 3.2% | 2.7% |
| **Annual revenue** | M = 42.8 Billion | | |
| | Mdn = 25.9 Billion | | |

*Note: Data for this table obtained from publically available sources for those organizations invited to participate in the survey.*

[a] *Data in 2013 chart contained a slight reporting error on Type of Organization, which has been corrected here.*

## Survey Questionnaire

An online survey consisting of 15 items was used to gather the data (which is approximately three times longer than the first questionnaire). In addition, many of the items had multiple parts to them, making the response burden somewhat greater. One write-in question was included as well (see Appendix A for the full item set).

Following the introductory text, the first question asked about the respondent's use of assessments with high potentials and with senior executives. This question was positioned at the start of the survey to allow us to directly compare responses with the prior study. Standard definitions of senior executives, high-potentials and assessments were provided that were identical to those used in the prior survey to ensure consistent terminology (see Appendix B).

Next, and regardless of responses to the initial assessment question, the content moved into a section on high-potential practices (e.g., population percentages, maturity levels, transparency policy). Items for this section were based largely on the practice literature (e.g., Carey & Ogden, 2004; Church & Waclawski, 2010; Effron & Ort, 2010; Grubs, 2004; Silzer & Dowell, 2010) and personal experience designing and leading these types of programs in corporate settings.

The survey then focused on definitions of potential, and on specific domains being measured. Item content was based on prior theory, research, and experience with high-potential assessments as noted earlier (e.g., Church & Silzer, 2014; Lombardo & Eichinger, 2000; Ready et al., 2010; Silzer & Church, 2009, 2010; Stamoulis, 2009). Because we did not want to prime respondents to the *BluePrint*, we did not sort items accordingly, nor did we provide dimension labels. In addition, other content domains were included in the list for comparison purposes even though some are arguably less well defined conceptually. These included resilience, engagement, values, communication skills, executive presence, and self-awareness.

The final section of the survey focused on post-assessment outcomes, including access to reports, attitudes about the process, and perceptions of the impact of assessment efforts on performance. The results and discussion below are based on this item clustering.

## RESULTS AND DISCUSSION

In total, survey responses were obtained from 80 individuals (each representing a unique organization) yielding a 72% response rate. Though this response was somewhat lower than the prior study (88%), it is still quite high for a survey of this nature and was anticipated because of the longer instrument. In addition, because the number of companies invited to participate had been increased somewhat, the resulting count of 80 respondents is quite comparable to the 84 obtained in the last survey.[1] As with the prior study, given the nature of the data obtained, the analysis consisted of standard paired comparison t tests and correlations to test for significant differences and relationships where appropriate.

### Use of Assessments

In order to examine the state of assessments today and possible changes since the prior survey, we queried respondents regarding their use of assessments for high-potentials and senior executives. Overall, 80% of companies responding to the survey (n = 64) indicated that they use assessments today with either one or both of these populations. This is 10 percentage points higher than responses obtained from the 2013 study (at 70% usage) with a very similar sample. Further, if we adjust the responses for only those using assessments to directly compare with calculations from the prior study, both utilization rates are slightly higher with 92% using assessments for senior executives (vs. 90%) and 81% for high-potentials (vs. 75%). Thus there appears to be a modest upward trend in the utilization rates.

[1] It is important to remember, however, that because of the anonymity of the survey it is impossible to exactly match survey respondents from Survey 1 to Survey 2.

Although the variability in survey results over the two studies might be because of changes in the respondent pool or simple response variability, it is also possible that assessment practices are being more broadly adopted in top development companies given that the studies were conducted a year apart. Additional support for this latter possibility is provided by responses to the newly added "no" category response options. Specifically, 15% of respondents indicated they are developing assessments for high-potentials, 9% are doing so for their senior executives and others are actively considering it (see Table 4). Taken together these data suggest an important trend.

*Table 4* **Use of assessments: do you have some form of assessment program or process in place for the following two talent groups?**

| Response Option | High-Potentials | Senior Executives |
|---|---|---|
| Yes | 65% | 74% |
| No, but under development | 15% | 9% |
| No, but considering | 9% | 6% |
| No, but used to assess | 2% | 1% |
| No | 9% | 10% |

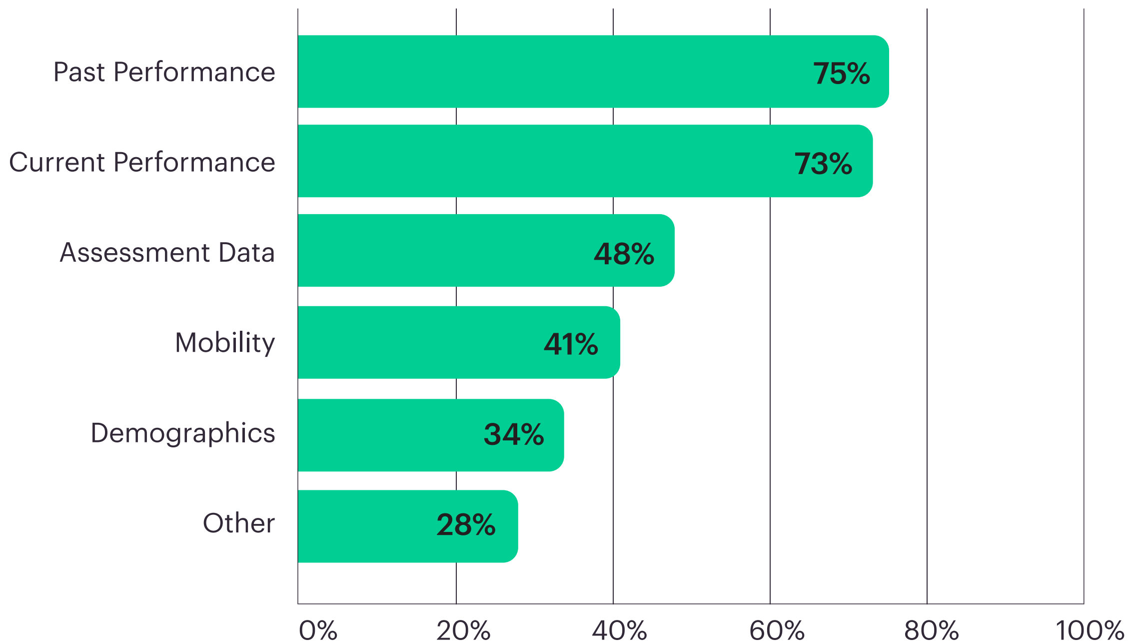
In examining the combined responses, there was a significant relationship between the overall use of assessments with both targets, $x2(1, 80) = 21.24$, $p < .001$. Specifically 59% indicated they assess both groups, although 15% assess their executives only and 6% assess their high-potentials only (thus totaling the 80% cited above). Within the group not currently assessing candidates, 15% are either actively developing processes or considering doing so. Only 5% indicated that they do not assess either of these two target populations today and have no plans to do so in the future. In sum, when combined, of these 80 top development companies, 95% are now assessing or are planning to assess their critical leadership talent. This is important information and the type of guidance practitioners are seeking for their clients.

## Characteristics of High-Potential Programs

The next set of questions in the survey concerned broader high-potential and talent management practices in these top development companies. These items focused on definitions and indicators of potential, distributions of the high-potential classification, program maturity, and transparency of labeling/ classification of potential.

**Indicators of high-potential.** Given the importance and energy focused on identifying future leadership potential in organizations, we asked two separate questions regarding variables used today to identify and define high-potential employees. Given that past research (e.g., Silzer & Church, 2010) has indicated companies employ more than one approach, respondents were allowed to select all that applied. The first question contained five basic types of contextual factors or data that may be available about an individual (e.g., current and past performance, mobility, demographics, assessments, and a write-in comment). Figure 2 provides the results of this item.

*Figure 2* **High-potential programs in top companies**




*Indicators of high potential: Which of the following are included in your criteria for identifying high-potential employees? (Select all that apply.) Past performance and current performance were significantly higher than assessment data at* $t(63) = 3.92$*,* $p < .001$ *and* $t(63) = 3.55$*,* $p < .001$*, respectively, as well as all other options following. None of the remaining options significantly differed from each other.*

In general, the most commonly cited contextual criteria for identifying high-potentials in these top development companies is performance. Specifically, 75% rely on past performance, and 73% use current performance. The correlation between the use of these two measures was very strong at $r(64) = .80$, $p < .001$, and the use of both of these as indicators was significantly higher than any other method employed. None of the remaining options significantly differed from each other, with all being used about equally 30% to 40% of the time. Although 28% cited other factors, based on the write-in responses the topics mentioned were already included in the content domains later in the survey (e.g., leadership, learning). As expected, when examined across the set of responses for multiple use of indicators the mean was 3.28 ($SD = 1.20$) for identifying potential. Thus, companies tended to use several indicators for identifying potential.

In general, the heavy reliance on performance data is not that surprising given prior survey work in this area. Performance reviews have been reportedly used at rates of 51% in a diverse mix of organizations (Hagemann & Mattone, 2011), and 75% to 100% in large company samples (AMA Enterprise, 2011; Silzer & Church, 2010). This trend does raise some concerns, however. Specifically, although we know that past performance is a significant predictor of future performance (Gatewood, Feild, & Barrick, 2010), predicting future potential is a different construct. There are many examples of high-performing leaders at a given current level in an organization that when promoted are no longer able to perform effectively. This is reflective of the Peter Principle (Peter & Hull, 1969) and is a primary reason for the design of the popular 9-box performance by potential grid. The grid is used today by many organizations as a core tool in their TM process (e.g., Effron & Ort, 2010; Hanson, 2011; Ruddy & Anand, 2010), and is intended to help organizations overcome the dangers associated with thinking that performance is synonymous with potential (also known as the performance-potential paradox; see Church & Waclawski, 2010). Commingling the two concepts in TM efforts can lead to a host of problems and damage long-term leadership bench strength if not balanced with other types of formal assessment data. While performance is an important contextual variable, it should not be treated as the indicator of future potential or overweighted as others have noted (e.g., Church & Silzer, 2014; Hanson, 2011).

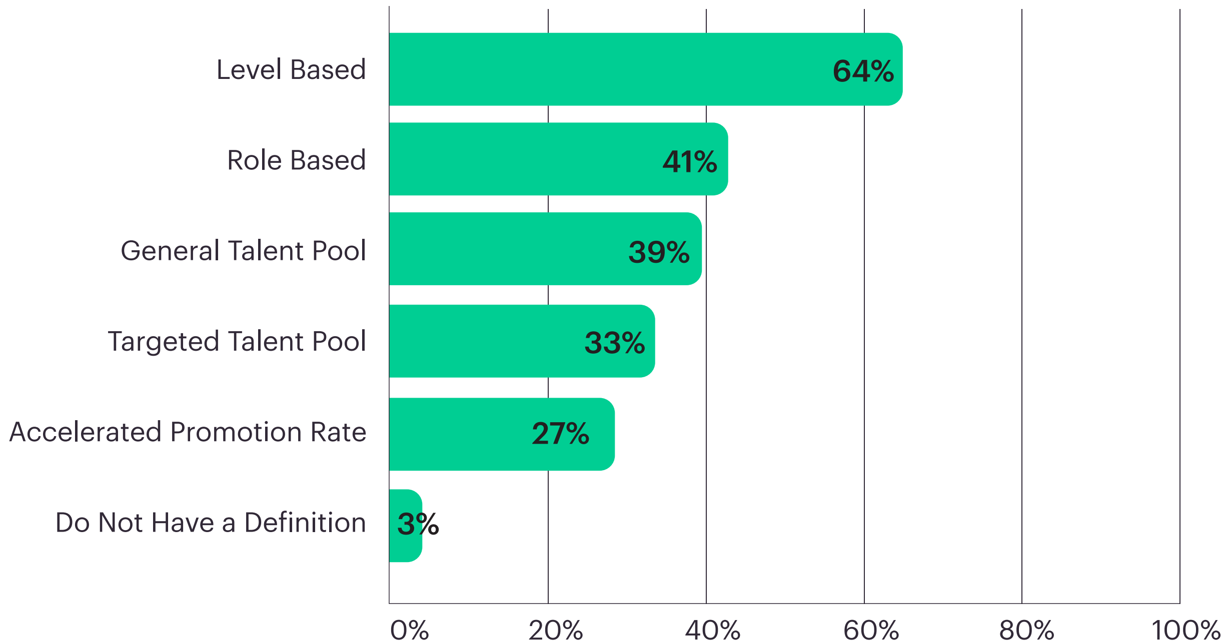
In terms of the other variables, assessment data is used by about half of the organizations in the sample specifically for identifying potential (if use for decision-making purposes is added the percentage increases significantly). This is very consistent with the prior study (Church & Rotolo, 2013) which reported that 50% of the companies who conduct assessments use them for high-potential identification and 48% use them for confirmation. Although AMA Enterprise (2011) reported a usage rate at 35%, their sample was more diverse and not comprised solely of companies with strong talent management functions.

The fact that 41% of these companies, however, rely on mobility (or the extent to which employees are willing to relocate for new roles) and another 34% use background information of some sort to classify potential is highly concerning. These should be considered as contextual variables not indicators of future potential (Church & Silzer, 2014), as they can artificially put limits on a succession pool. Moreover, although mobility is within an individual's control and often life-stage dependent (e.g., based on age of children, dual career, sick parent, etc.), making future leadership potential determinations based on demographics such as gender, age, ethnicity, culture, national origin, and so forth is dangerous and possibly illegal depending on how the variables are used and/or employment laws in a given country. The concept of "runway" for senior roles is a particularly delicate topic as many organizations are concerned with their talent's career progress and timing to c-suite readiness, yet effectively measuring that in a nondiscriminatory way is a challenge. These issues warrant careful thought and consideration as they have potential serious consequences depending on the approach taken.

**Definitions of high-potential.** Along with basic contextual criteria for identifying future leaders, most organizations with robust talent management functions also have formal in-house definitions of high-potentials. Many of these are based on judgment factors (see Figure 1) which are used in annual talent review processes (see, e.g., Church & Waclawski, 2010). Thus, the next survey question contained five different judgment-based definition elements of potential.

Overall, the organizations responding were significantly more likely to use level-based definitions of potential at 64% than any other type of category including role-based at 41%, general talent pools (e.g., marketing) at 39%, targeted talent pools (e.g., treasury) at 33%, or even accelerated promotion rates at 27% (see Figure 3).

*Figure 3*




*Definitions of high potential: How would you characterize your organization's definition of a high-potential employee? (Select all that apply.) Level-based definitions of potential were rated significantly higher than role based $t(63) = 2.95$, $p < .01$, or either of the talent pool-based options at $t(63) = 3.00$ $p < .01$, and $t(63) = 4.26$, $p < .001$, respectively. None of the remaining options significantly differed from one another other.*

The latter trend is somewhat surprising given perceptions of high-potentials as being significantly younger than their peers. Consistent with the survey selection criteria as top development companies, only two organizations (3%) reported that they did not have a formal definition of potential. Once again, the data were examined for the use of multiple judgment components and the mean response was 2.54 (SD = 1.39). This suggests that most companies use level jump and another factor (e.g., a talent pool or destination role) together in their formal definition of potential.

Although not entirely surprising given Hanson's (2011) observations about the use of such estimates, considering the highly subjective nature of a "two-level jump" judgment made about someone this is concerning. It is even more troubling given its use in organizations appears to have increased significantly from the 25% reported by Silzer and Church (2010). Specifically, what data and factors are executives using to make these judgments about someone's ability to jump two levels? One could argue that using a two-level jump criteria to define high-potential is in effect avoiding taking a conceptual stance of future potential in general. We would recommend using a more theoretically grounded approach instead such as the Leadership Potential *BluePrint* measured via some form of assessment data.

Fortunately, when these data are combined with responses from the prior question, the results suggest a more positive alternative. That is, the average number of indicators of potential becomes incremental in nature. Specifically, the mean number of different criteria for defining future potential from both lists was 5.74 (SD = 1.89). Moreover, when examined together it was evident that 56% of respondents using both level-jump and performance were also using formal assessment data. Thus, even when contextual and judgment criteria are in place, over half of these top development companies are actively working to augment their identification processes with more robust methods of defining future potential based on actual predictive constructs. This trend should be encouraging to I-O practitioners and consulting psychologists as it supports our guidance regarding the use of more rigorous tools and assessments to help organizations better understand the strengths and opportunities of their talent, and ultimately make better talent management decisions.

**High-potential proportion.** Although organizations can in theory apply their definition across an entire target population and identify as many high-potentials as fit the given criteria, in practice most classify and monitor potential status through some form of segmentation framework. These are generally represented by straightforward categories used for talent planning purposes such as high-potentials, promotables, key contributors, valued professionals, and so forth (e.g., Church & Waclawski, 2010). Although there has been some debate among practitioners regarding the appropriateness of having a forced distribution of high-potential rankings (Church & Waclawski, 2010), questions remain about the right proportion or percentage of high-potentials that an organization should have at any point in time. Although one could consider potential to be normally distributed, most companies do not operationalize potential in that manner. In order to explore this issue further we asked about proportions or percentages.

A significant percentage of respondents (42%) indicated that high-potentials represent between 1% and 9% of the total population; 35% indicated the percentage was higher, at 10% to 15%; and 20% noted it was still higher, at between 16% and 25%. Only 3% selected the 26% to 50% category, and no respondents indicated the percentage was higher than 50%. Thus, over three quarters of these top companies have their percentage of high-potential classifications at or below 15%. Though this might be a little higher than some estimates, such as those of Ready et al., (2010; 3% to 5%), it is consistent with the common guideline of 10% reported by Silzer and Church (2010). The important point here is that the majority of these top companies do not appear to be falling into the trap of significantly overestimating the potential of their future leaders. Only 23% of respondents are classifying talent above 25%, and none are classifying the percentage of high-potentials over 50%. The question remains as to whether they have identified the right high-potentials, those possessing the characteristics, attributes, or capabilities (i.e., content domains), that research has shown are necessary for future success of the organization.

**High-potential program maturity.** As organizations design, implement, and evolve their talent management programs, it is often of interest to know how their efforts compare with other companies along some level of maturity. This concept has been applied to different areas of organizational psychology and management theory in the past (Curtis, Hefley, & Miller, 2002), as well as broader talent management efforts (e.g., Garr, 2012). Thus, we adapted a five point scale anchored in descriptions from Garr (2012) and other sources (e.g., Cappelli, 2008; Silzer & Dowell, 2010), and asked respondents to rate the level of maturity of their program using this revised scale. Figure 4 provides the detailed breakdown of results for this item.

Overall, about half of all survey respondents (53%) indicated that their process was at “3-standard” and defined by consistent implementation, some level of integration and executive engagement, but inconsistency in transparency of outcomes to employees. Another 24% selected the more mature indicators of “4-transparent” or “5-business integrated,” and 21% indicated their processes were “2-inconsistent” (see Figure 4 for additional scale details). Only 2% selected the lowest category of “1-reactive” which further validates the criteria of top development companies used for this sample.

It is interesting to note that in comparing data across responses, it became evident that assessments were significantly more likely to be in use in those organizations with more mature high-potential programs, x2(4, 62) = 13.07, $p < .01$. Specifically, 87% of organizations that rated their high-potential programs as being either “4-transparent” or “5-business integrated” (i.e., representing higher maturity) are currently using assessments compared with only 43% of those with either “2-inconsistent” or “1-reactive” high-potential programs. Furthermore the remaining 57% in the less mature categories all indicated they were either developing or considering assessments. This supports the argument, at least for these companies, that integrating formal assessments is linked to having a more mature high-potential program.

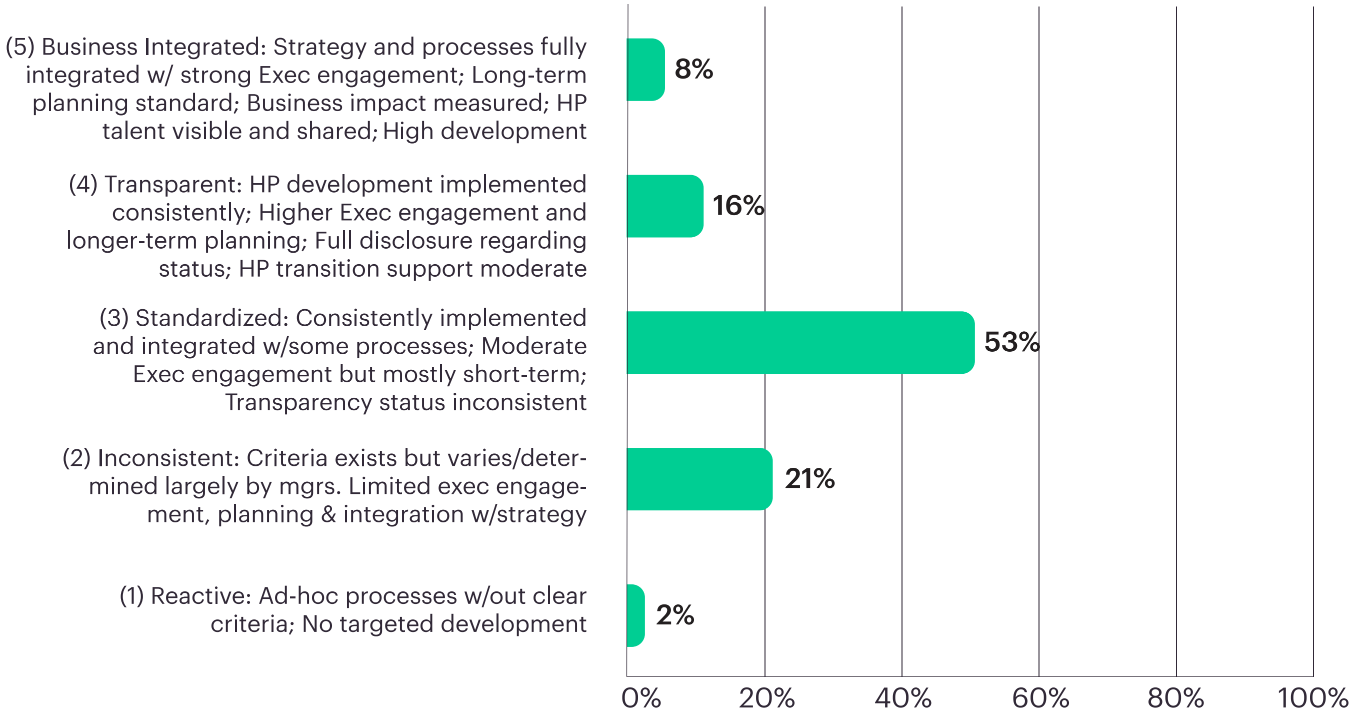



*Figure 4* *Maturity of high-potential programs: Which of the following statements best characterizes your high-potential program and practices?*

**High-potential label transparency.** One of the significant debates in talent management efforts today is whether or not to share an individual's potential status following a talent review process (Scott & Reynolds, 2010; Silzer & Church, 2010). While some research has reported that most or all companies share "talent calls" or high-potential status (Ready et al., 2010; Silzer & Church, 2010), other experience suggests a more balanced distribution. The current survey data highlight some distinctions between formal and informal transparency which could partially account for this discrepancy.

Specifically, results from the survey indicate that only 34% of the responding companies are fully transparent or formally share high-potential status with employees. Sixty-six percent do not actively tell their employees what level of potential they have been designated as having based on the corporation's talent review process. This finding is considerably lower than some have suggested. It most likely reflects concerns voiced by practitioners and senior leaders over disenfranchising the vast majority of the "B players" (DeLong & Vijayaraghavan, 2003), who may not be seen as having significant future leadership potential, yet keep the corporation in business. After all, if only 15% of the population is identified as high-potential, the remaining 85% may respond negatively to the information, if shared, that they are not in a special talent pool or deserving of accelerated development or promotion. Moreover, many of these mainstream employees are also likely to be in pivotal roles (Boudreau & Ramstad, 2007) that would be problematic to ignore for other strategic reasons. Similarly, there are potential challenges with individuals being seen by their peers as being the "anointed ones," causing potential friction between employees (although this can also happen through the informal methods of transparency). In addition, there are concerns about how formal designation affects high-potentials, such as subsequent increases in pressure to perform (Campbell & Smith, 2010) or unrealistic expectations of fast advancement. Thus, management fear that transparency may lead to negative outcomes for the organization including turnover, and declines in engagement, productivity, revenue, and profit.

These are real concerns, but there is more to consider. Another reason for this study's lower rates of formal transparency may be that prior studies did not differentiate between formal and informal sharing methods in their data. In order to test these more informal methods we provided response options which provide further insight. Specifically, of the 66% of companies that do not actively share talent calls, there is a large percentage that does engage in behaviors that reveal employee potential status one way or another. Figure 5 provides the details of these results.

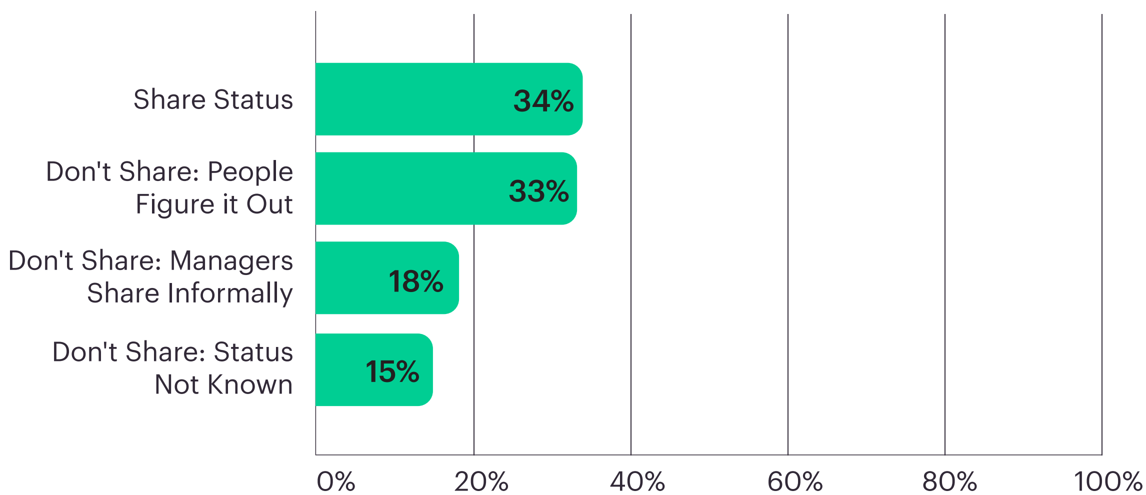



*Figure 5* *Transparency of high-potential status: Do you have a formal policy about sharing talent call/classification with high-potential employees?*

In short, regardless of whether the process is formal, between managers sharing talent calls informally at 18% and employees determining their status on their own at 33% (e.g., via invitations to leadership programs, being offered special assignments, or receiving greater exposure to senior executives), one could argue that only 15% of employees do not know their own "talent call" or high-potential status in these top companies. Thus, although this informal status sharing exists, it may be seen as being less risky than officially sanctioned designations in terms of their impact on "B players."

The data from Campbell and Smith (2010), which reflect the employee point-of-view, confirm this trend with 91% of that sample indicating they know their own status (positive or negative). It is important to note that this 91% includes 31% who were told informally of their high potential status. Thus, we can conclude then that despite concerns expressed about being fully transparent, the dynamics of organizations make it difficult to keep this information withheld regardless of the policy. In addition, recent research in this area supports an argument for formal transparency as well. Specifically, Björkman, Ehrnrooth, Mäkelä, Smale, and Sumelius (2013) found in their study with several European companies that employees who believed they were high-potentials were the most committed to the organization. Moreover, there were no differences between those who perceived that they were not high-potentials and those who were completely unaware of their standing. Similarly, Campbell and Smith (2010) found higher organizational commitment from formally identified high potentials, with only 14% seeking other employment compared with 33% of those informally identified. Thus transparency may not be a negative.

Another interesting data point here concerns the relationship between transparency and high-potential program maturity. Specifically, there was a significant relationship at x2(2, 61) = 9.54, $p < .01$ such that when combined, 69% of those firms with "2-inconsistent" or "1-reactive" programs did not share information, although 67% with "4-transparent" and "5-business integrated" high-programs did share high-potential status with employees. Though this might be expected given that transparency is one aspect (of many) of the definition of later stages in the maturity model, it also supports the maturity construct overall and internal consistency of the data.

In sum, given the amount of energy that is spent on the topic of transparency in most organizations today, the results would suggest that efforts could be better directed elsewhere. The vast majority of employees know their status regardless of whether they are formally told or not, and being told only has a positive or neutral impact on commitment. Since transparency is a core value that the new generation of talent entering the workforce embraces (Meister & Willyerd, 2010), perhaps organizations should move beyond the "black box" TM practices of the past and share information more openly.

### Assessment Practices

The next section in the survey focused on assessment practices and included questions on program tenure, purpose/usage, frequency of assessments, and the shelf-life of the results obtained. This section also queried about the specific content domains assessed today in practice based on the components of the Leadership Potential BluePrint (Church & Silzer, 2014; Silzer & Church, 2009).

**Assessment program tenure.** As noted earlier, data from both the prior survey and the current results indicate that assessments are prevalent in these top development companies and may be increasing. To further examine assessment trends, we asked respondents to select from five options regarding the tenure of their assessment program ranging from "not yet launched" to "in place for five or more years." Overall, results indicated a very consistent pattern of having moderate to well established assessment efforts across both target groups $r(52) = .45$, $p < .001$. Specifically, in companies actively engaged in high-potential assessments, approximately 70% of programs have been in place for two or more years. Similarly, of those organizations with programs assessing senior executives, 67% have been in place for more than two years (See Table 5). Clearly many of the processes in these top companies are well established.

*Table 5* **Assessment Program Tenure: How Long Has Your Current Assessment Program/Process Been In place?**

| Response Option | High-Potentials | Senior Executives |
|---|---|---|
| 1–12 Months | 17% | 10% |
| 1–2 Years | 13% | 24% |
| 2–5 Years | 41% | 39% |
| 5+ Years | 28% | 27% |

*Note. Data for this table reflect only those organizations that already have assessment programs in place.*

It is interesting to note that for the remaining 30% of programs that have been implemented in the last two years, it appears that the emphasis has shifted somewhat from designing new programs for senior executives (24%) to developing new programs for high-potentials (17%). Although these differences are not statistically significant, they are consistent with the utilization data provided earlier (92% vs. 81%) and in the 2013 study (91% vs. 75%). This suggests that although assessments are currently more frequently used with senior executive populations than high-potentials among top development companies, the use of assessment for high-potentials is indeed increasing.

Along with this general trend, it was also interesting to note the absence of significant relationships between high-potential program maturity and assessment program tenure. Although a maturity model would posit that assessment programs naturally evolve over time, this was not the case in this sample. In other words, although more mature processes are those which incorporate assessments and tend toward more transparency per the findings earlier, they do not necessarily require a long history of implementation to be established as such. Thus, an organization's high-potential program maturity may be more reflective of an initial set of design decisions at launch, than an evolutionary eventuality. If this assertion is true, it has significant implications for practice. The general guidance given to professionals introducing new programs is to start simply and develop more advanced approaches over time (e.g., Rotolo & Church, 2012). Although further research is required, these data might indicate a more deliberate initial design if a robust approach is desired.

**Purpose of assessment.** Consistent with the prior study, when asked about the purpose of assessments, individual development was by far the most commonly cited at 85% for high-potentials and 76% for senior executives, and significantly higher than other options. Similarly, the most significant gap between groups was in utilizing assessments for the identification of potential, with 52% for high-potentials versus 36% for senior executives. The only significantly greater use of assessments with senior executives was for external selection at 31% versus high-potentials at 10% (see Figure 6).

Although the same trend was present in the 2013 results (25% vs. 14%), it did not achieve significance at the time. Taken together, it appears that top development companies recognize the highly visible and financial costs associated with poor decisions made at the top of the house (e.g., Cappelli, 2008; Paese, 2008), and are investing more in assessment efforts on external hires at those levels. The same general tendency toward emphasizing assessment for the identification and development of emerging talent in high-potentials and for succession planning for senior executives was also evident. Finally, when summarized into development versus decision-making categories, the pattern was very similar to 2013. The majority of these organizations are pursuing assessments for both development and decision-making simultaneously, and the trend appears to be more pronounced at 64% for high-potentials and 79% for senior executives versus 57% and 64% in the prior study. Thus, fewer organizations are assessing people for development only (36% and 21% for high-potentials and senior executives here vs. 41% and 30%), which indicates a trend toward further utilization of the results for TM purposes.

As noted earlier, transparency of high-potential status is a major topic of interest in practice. Interestingly, however, when tested we found no relationship between the purpose of high-potential assessments (e.g., development only vs. decision-making) and many other practices measured including transparency of high-potential status, program maturity level, or high-potential and senior executives program tenure.[2] In short, it appears that companies made choices regarding the use of assessment results regardless of transparency or maturity level of their process. Moreover this does not appear to change over time. Consistent with the observations above, it suggests that program purpose, transparency and maturity all appear to represent separate strategic design choices for the TM professional when building a system. Thus, and somewhat surprisingly, process evolution may not be the norm with formal assessment programs.

[2] Purpose and transparency at x2(1, 45) = .98, ns; purpose and maturity level at x2(3, 45) = .79, ns, purpose and tenure of high-potential or senior executive programs at x2(3, 45) = .54, ns and x2(3, 48) = 4.64, ns, respectively.

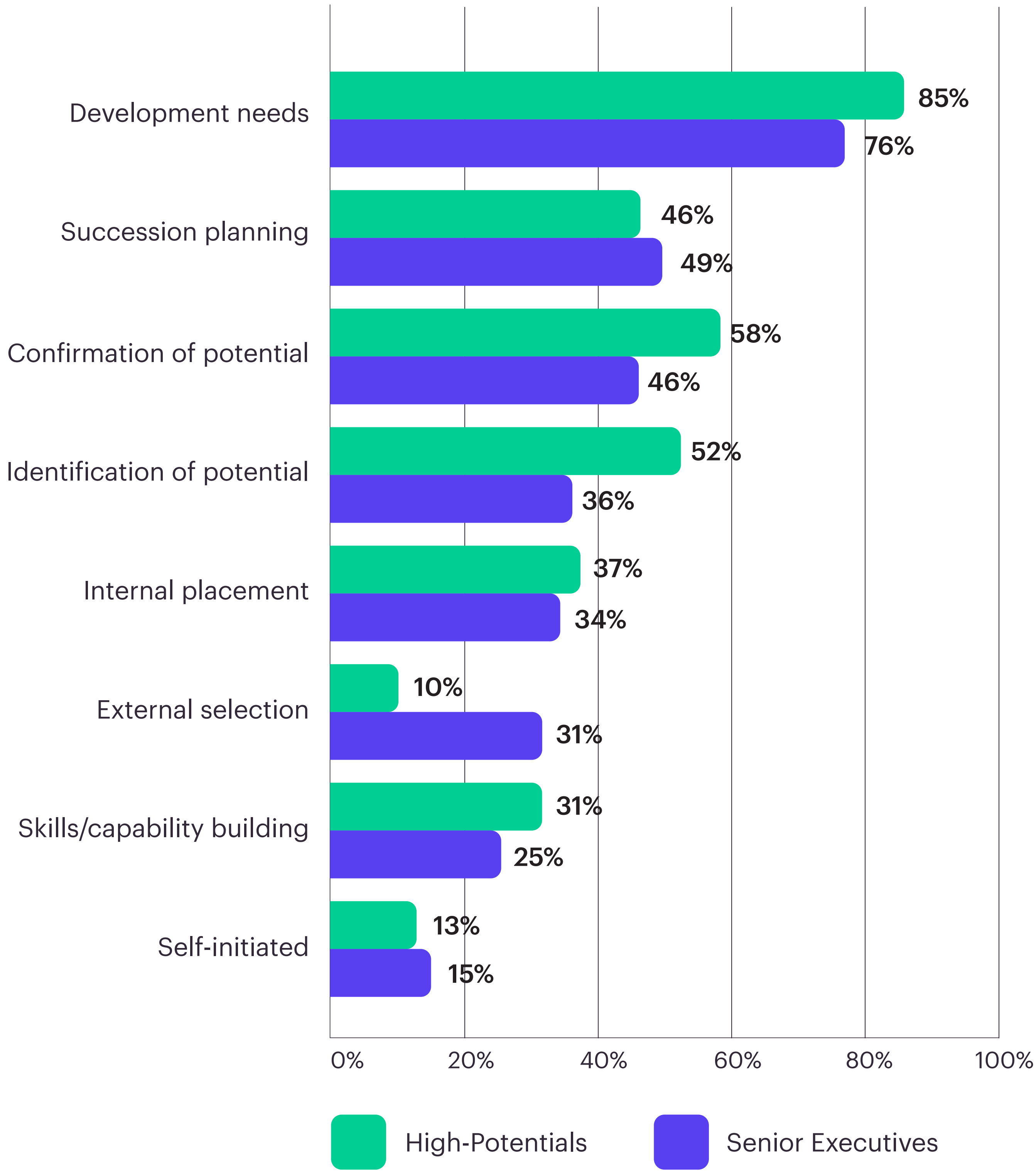



*Figure 6* *Purpose of assessments: For what purpose(s) are assessments used? (Select all that apply.) Development needs were rated significantly higher than the next closest option chosen for both groups, that is, confirmation of high-potentials at 58% $t(51) = 3.96$, $p < .001$, and succession planning for senior executives at 49%, $t(58) = 4.01$, $p < .001$. The use of assessments for the identification of potential with high-potentials was significantly higher than for senior executives at $t(63) = 3.01$, $p < .001$. The use of assessments for external selection of senior executives was significantly higher than for high-potentials at $t(63) = 3.62$, $p < .001$.*

*Table 6* **Annual Assessment Rates: Approximately What Percentage of Each Population Below Do You Assess Annually?**

| Response Option | High-Potentials | Senior Executives |
|---|---|---|
| 5–10% | 45% | 33% |
| 11–25% | 16% | 38% |
| 25–50% | 8% | 5% |
| 51–75% | 6% | 4% |
| >75% | 25% | 20% |

**Percentage of population assessed annually.** The next question inquired about the percentage of target populations assessed annually. Of those top companies currently assessing high-potentials and senior executives, the majority reported assessing less than 25% each year. In looking at the results (see Table 6) there is a similar pattern overall at $r(49) = .66$, $p < .001$, but a modest trend exists toward assessing more senior executives at 11–25% than high-potentials.

This could be the case for a variety of reasons but is probably driven by the increasing emphasis on the use of assessments for both development and decision-making purposes (e.g., succession planning and external staffing) with senior executives as noted earlier at 79%. In summary, most senior executive and high potential programs assess a modest percentage of their target populations annually. It appears that the majority of these top development companies follow a more strategic talent management model and tactically assess targets based on organizational and individual needs.

**Assessment shelf-life.** We were also interested in how long these top companies consider their assessment results defined here as the suite of tools to be valid, (i.e., their official shelf-life). In response to this question, the most commonly cited timeframe for the shelf-life of assessment results was 2 to 3 years at 55% for high-potentials and 59% for senior executives. The remaining responses were evenly dispersed across shorter and longer windows. Overall, the pattern across responses was strong and significant at $r(44) = .66$, $p < .001$ indicating little difference between how assessments are treated for these two groups (see Table 7) which is useful guidance.

From a development perspective, the fact that half or more of these top companies have a 2 to 3 year assessment shelf-life makes sense. This is likely enough time for sufficient development to have taken place to show a demonstrable impact on results. It also takes into account pragmatic constraints of program administration such as cost and complexity of assessment, feedback and follow-up efforts. Finally, some of the tools in a typical assessment suite are likely to be foundational in nature per the *BluePrint* (e.g., personality, cognitive tests), and are less likely to show change (Church, 2014).

**Assessment Shelf-Life: What Is the Approximate Shelf-Life of Your Assessment Results (the Suite in General)?**

*Table 7*

| Response Option | High-Potentials | Senior Executives |
|---|---|---|
| Annual | 19% | 13% |
| 2–3 years | 55% | 59% |
| 4 years or more | 12% | 17% |
| No time limit | 14% | 11% |

Somewhat disconcerting, however, was the fact that 11% to 14% of assessments had no stated time limits on their shelf-life. In short, the data could reside somewhere with no "expiration date." While this finding may reflect an inherent philosophy in the design in some of these programs regarding the very same fixed nature of the foundational dimensions, it still raises potential issues. All assessment data should have a time limit as it can become incorrect, irrelevant, or invalid over time. In fact, if the primary use of assessment is for development then in all fairness to participants the results should be refreshed at some point to evaluate progress.

Moreover, given the dual usage of assessments for decision-making, we would advocate strongly for practitioners to impose some standard timeframe for all assessment results even if on the longer side of 4 to 5 years. Overall, the optimal solution may be to have various tools in an assessment suite linked to different shelf-lives based on the developmental nature of the domains they measure.

**Assessment content domains.** As noted earlier, one of the primary objectives of this study was to determine which content domains are being assessed in these top development companies and the extent to which these are reflected by the core dimensions of the Leadership Potential *BluePrint* (Church & Silzer, 2014; Silzer & Church, 2009). To this end, we asked respondents to indicate all of the content domains utilized in their assessment suites for both target populations from a list of 12 in total based on the *BluePrint* and other literature (e.g., Corporate Leadership Council, 2010; De Meuse, et al., 2008; Hanson, 2011). A write-in category for other domains was also provided (for details and significance tests see Figure 7).

Overall, leadership competencies are by far the most commonly assessed content domain for both high-potentials and senior executives at 75% for both groups, and significantly higher than the next highest cluster of categories (all about equally cited) including self-awareness, motivation, personality, learning ability or cognitive skills. The finding that leadership skills are the most frequently measured is consistent with previous research (Silzer & Church, 2010), and supports the finding that 360-feedback is one of the most commonly used tools in assessments (Church & Rotolo, 2013). Given that leadership competencies represent one of the two Career dimensions of the BluePrint at the top of

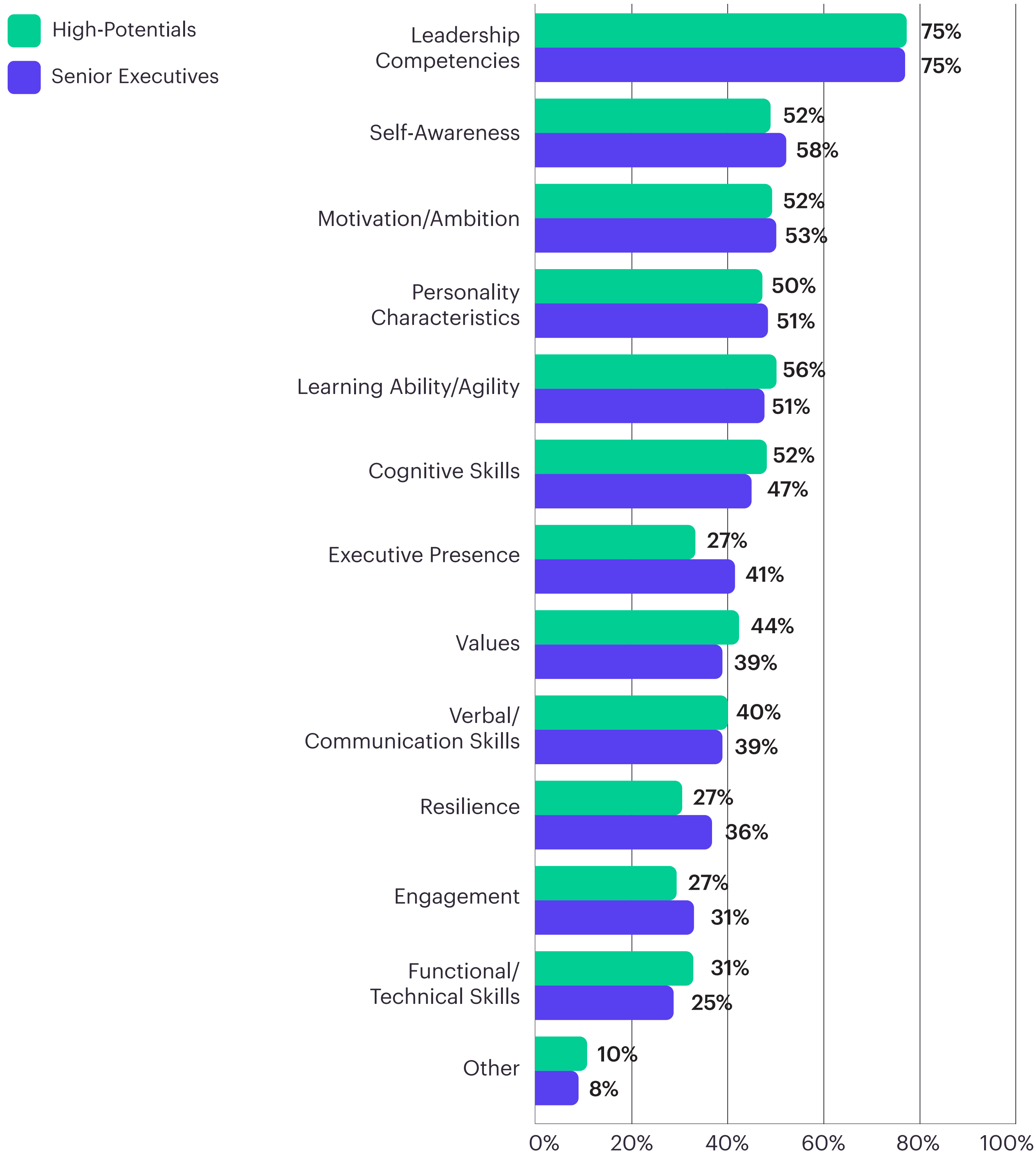



*Figure 7* *Content domains covered in assessments: Which of the following factors are measured in your assessment suite? (Select all that apply.) Leadership competencies were assessed at significantly higher rates than the next highest respective domains of learning ability/agility for high potentials at* $t(51) = 3.12$, $p < .01$*, and self-awareness for senior executives at* $t(58) = 2.83$, $p < .01$*. Subsequent significant effects hold for all comparisons with domains at lower rates than leadership competencies. The only significant difference between groups was on the dimension of executive presence at* $t(63) = 2.86$, $p < .01$*.*

the pyramid, and are conceptualized to be most readily influenced by typical leadership and OD efforts (Church, 2014; Church & Silzer, 2014), the frequency of their usage makes sense for TM programs emphasizing development and succession planning.

The second tier or cluster of domains assessed consistently by half of the top companies for both high-potentials and senior executives includes the *BluePrint's* Foundational dimensions of personality and cognitive skills, and Growth dimensions of motivation and learning ability. Both of these are being assessed about 50% of the time or more. The only other content area in this second cluster was self-awareness. None of the utilization rates for domains in this second tier were significantly different from each other.

Next there is a third tier of less frequently assessed domains, many of which show similar patterns for high-potential and senior executives as well. These include values, verbal communications, resilience, engagement, and functional/technical skills (the latter of which reflects the second Career dimension of the *BluePrint*). Although not all rankings are significantly different from one another, there were a few interesting differences. In particular, executive presence was significantly more likely to be used in senior executive assessments than high-potential efforts by almost 14 points. While a similar trend was evident for resilience (nine-point difference) it did not reach significance, nor did any of the others in Tier 3. Finally, only a small number of organizations selected the other category (n = 5) and no convergent additional themes were evident.

When combined, the data reported here provide empirical support for the utility of the Leadership Potential *BluePrint* as a way of framing content with respect to assessing high-potentials and senior executives. When categorized across assessment domains into the Foundational, Growth and Career dimensions, all were well represented (see Table 8). A few additional points stood out as well.

First, although it was not surprising to see the career dimension of leadership as the most frequently assessed, given the prevalence of 360-feedback (D Group, 2013; Bracken & Church, 2013; Lepsinger & Lucia, 2004; Nowack & Mashihi, 2012) and leadership development programs in general, the significantly lower rate of focus on functional and technical skills particularly for high-potentials is interesting. Given these skills are easily developed through corporate learning and functional university programs one might expect them to be assessed more frequently. If we consider, however, that functional talent pools and destination roles were less commonly used in definitions of potential (as noted earlier), then it makes more sense. Perhaps functional capability is simply something that resides outside of TM and succession planning efforts because it is less about long-term potential and more about short-term role fit. In other words organizations may be less likely to use functional skills as the focus of an assessment program for development and decision-making compared with domains reflective of long-term leadership potential. Further, it may simply be that functional and technical skills have less importance as you move up the career ladder into more senior leadership roles (Thornton & Byham, 1982).

*Table 8* **Assessment Domains Classified by the Leadership Potential BluePrint**

| Dimensions | Sub-Factors | High-Potentials | Senior Executives |
|---|---|---|---|
| Career | Leadership Competencies | 75% | 75% |
| | Functional/Technical Skills | 31% | 25% |
| | Either Used | 79% | 77% |
| | Both Used | 27% | 25% |
| Growth | Learning Ability | 56% | 51% |
| | Motivation & Drive | 52% | 53% |
| | Either Used | 65% | 61% |
| | Both Used | 42% | 44% |
| Foundational | Cognitive Capabilities | 52% | 47% |
| | Personality Characteristics | 50% | 51% |
| | Either Used | 67% | 64% |
| | Both Used | 35% | 36% |

Second and also noteworthy was the consistency in utilization of the other dimensions of the *BluePrint*. While having both Foundational and Growth dimensions assessed at 50% or better supports the use of the model as a classification framework, we might have expected to see Foundational components more heavily weighted with the high-potential population given they are earlier in their career. The data do not support that hypothesis. It is important to note, however, that the high-potential population in this study is not comprised of truly junior employees which is where Church and Silzer (2014) suggest a difference in emphasis might be most meaningful.

Finally, although the other content areas included were utilized in some companies, they were not as frequently included as those of the *BluePrint* dimensions. Aside from self-awareness, the other domains were in the Tier 3 category and show more variability in use (e.g., executive maturity). Further, the majority of these additions (e.g., resilience, communications, and engagement) could arguably be collapsed into one of the three dimensions of the *BluePrint*.

## Assessment Program Outcomes

The third and final set of survey items concerned a number of different outcomes of the assessment process. In particular, we were interested in communications, access to results, attitudes and perceptions about the process, and the impact it has on participants' business effectiveness. Results are described below.

**Communication strategy.** Given that assessment processes can be complex and target only certain groups, we asked respondents to indicate their strategies for communicating their assessment programs. Overall, the vast majority of companies (78%) report that they communicate their programs to participants and their managers and human resources support. Of the remaining organizations, a small group communicates to the whole organization (12%), and only a few (6%) communicate to the participant only, or report an inconsistent or complete absence of a strategy (4%). Given these are top development companies it is not surprising that 96% have some type of formal communication strategy. Thus, most companies are open but targeted about their processes, which is important guidance.

**Access to assessment results.** Focusing now on access to the results of the assessment process, we inquired about the level of reporting detail provided to various audiences and potential end-users including participants, managers, c-suite leaders, and given the importance of succession plans, the Board of Directors (see Table 9).

### Access to Assessment Results: Who has Access to the Results of the Assessment Program/Process?

*Table 9*

| | Complete Results (e.g., individual reports for each measure/tool) | Integrated Summary (e.g., blended across dimensions/ factors) | Topline Summary (e.g., strengths, and opportunities only) |
|---|---|---|---|
| Only the individual being assessed | 55% | 19% | 9% |
| Individual and manager or supervisor | 17% | 39% | 33% |
| Senior-most leadership Team, c-suite | 8% | 22% | 41% |
| Board of Directors | 3% | 3% | 23% |

*Note. Significant differences were evident in access to complete reports between participants and all other groups including their manager at $t(63) = 4.42$, $p < .001$; senior leadership at $t(63) = 6.08$, $p < .001$; and the Board of Directors at $t(63) = 7.72$, $p < .001$. Managers were significantly more likely to get an integrated summary than were individuals themselves at $t(63) = 3.01$, $p < .05$; senior leaders at $t(63) = 2.38$ $p < .05$; or the Board of Directors at $t(63) = 5.58$, $p < .001$. Senior leaders were significantly more likely to receive top line results than individuals at $t(63) = 4.71$, $p < .001$ or board members at $t(63) = 2.41$, $p < .05$.*

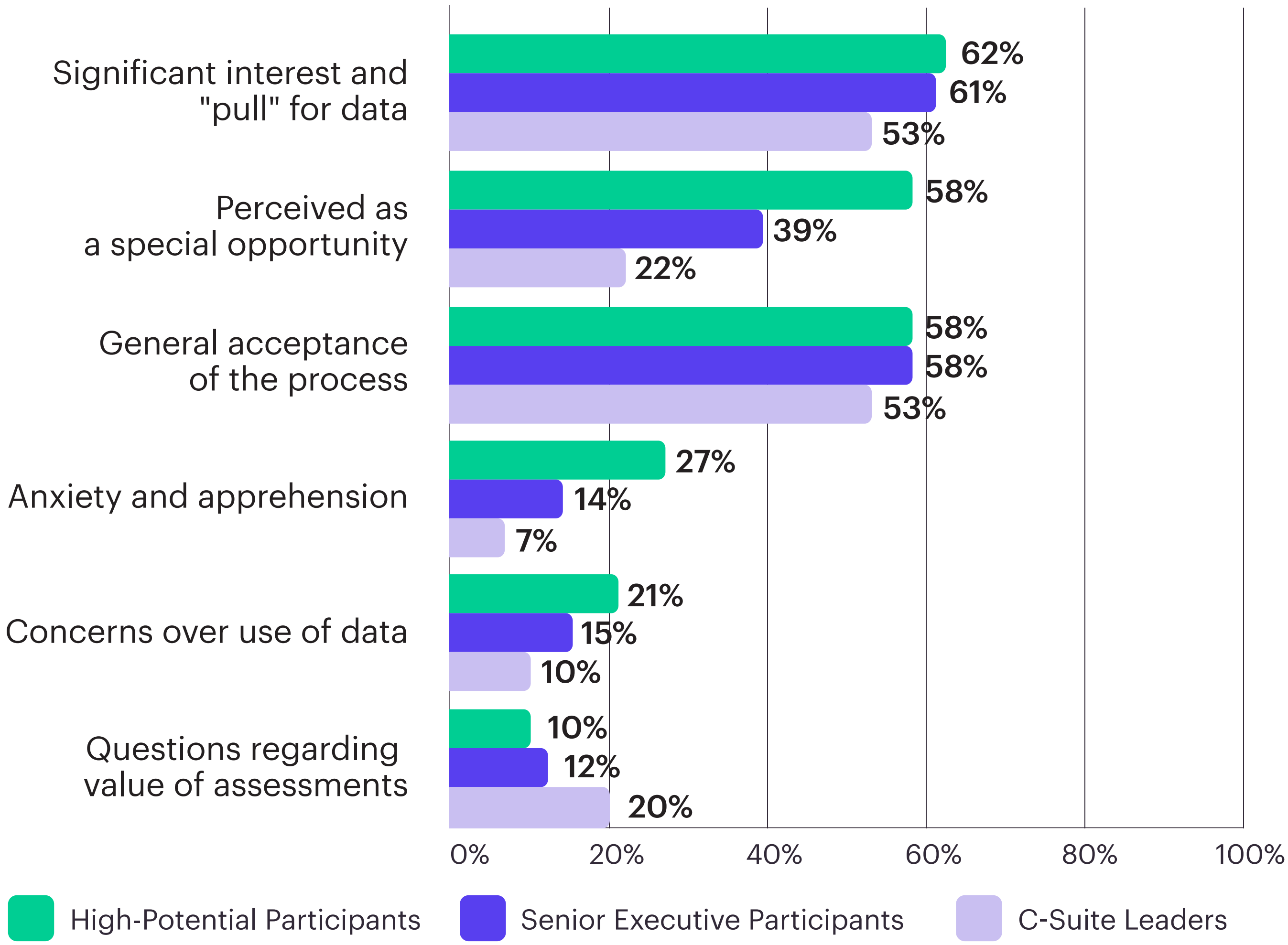
In general, participants themselves were significantly more likely to receive the complete set of results (e.g., individual reports for each measure) at 55% compared with any other group including their manager at 17%, senior leadership at 8%, or the board of directors at only 3%. Conversely, managers were more likely to have access to integrated summaries, and senior leaders (c-suite) were most likely to receive topline results. Taken together these data suggest a trend toward providing more specific results to the individual and less detailed and sensitive information to higher levels in the organization. Interestingly and critical for practice, however, is the fact that 29% of companies are providing some type of assessment data directly to their Boards. This suggests it is critical for I-O practitioners and consulting psychologists to play an active role in ensuring these results are delivered with appropriate context setting and interpretation given the impact they may have at this level.

**Perceptions of assessments.** Attitudes toward a given process or program will play a role in its short and long term effectiveness. We were interested in specific attitudes toward assessment practices, as well as potential differences between those assessed and not assessed.[3] Overall reactions to assessments were reported to be quite favorable, with 53% to 62% of respondents indicating there was significant interest and "pull" for the data in their organizations across all constituent groups (i.e., high-potential program participants, senior executive participants, or c-suite leaders; see Figure 8 for details).

General acceptance of the assessment process was reported at similarly high levels as well (e.g., 53%–58%). Moreover, there were no significant differences on these two items between ratings of perceptions held. Interestingly, however, ratings of attitudes did differ significantly by group on whether the assessment was seen by participants as a special opportunity, with high-potentials being much higher than others at 58% for those assessed.

Regarding areas of concern with assessments, results indicated less of an issue overall than many practitioners might expect. Specifically, only 27% said their high-potential participants were anxious about the assessment process, and only 21% rated them as having concerns over use of the data. Further, just 20% rated their c-suite leaders (i.e., those not assessed but recipients of the data) as questioning the value of the process. Finally, and somewhat surprisingly, when tested with other survey items there were no significant differences in attitudes for either purpose of the assessments or level of transparency of the high-potentials.

[3] Though these different sets of attitudes were all measured via ratings from the same survey respondent, and therefore have potential biases incorporated, the results did show considerable variability in ratings.




*Attitudes and perceptions of assessments: How would you describe the general attitudes and perceptions toward assessment in your organization for each of the audiences below? (Select all that apply.) Ratings of assessments as a special opportunity were significantly higher for high-potential participants compared with either senior executive participants at $t(51) = 2.64$, $p < .01$, or c-suite leaders at $t(51) = 4.49$, $p < .001$. Anxiety level and perceptions of the value of assessments between high-potential participants and c-suite leaders were also significantly different at $t(51) = 2.64$, $p < .01$, $t(51) = 2.06$, $p < .05$, respectively.*

*Figure 8*

Taken together, these are very encouraging trends overall. The highly favorable perceptions from all three of these groups suggest a very positive picture of organization wide reactions to assessment, from the top of the house to the leaders being assessed. The fact that senior executives who do not participate in assessments value the results, and those who do participate value it even more, all with limited anxiety, suggest it is possible to design and implement an assessment program that has credibility in large organizations.

**Estimating the impact of assessments.** Determining the ROI for TM interventions is a challenging task given the myriad of variables and length of time required to see long-term impact (Silzer & Dowell, 2010). Although research does exist on the effectiveness of tools such as 360-degree feedback on behavior change (e.g., Bracken, Timmreck & Church, 2001), the impact of integrated assessment programs on high-potentials and senior executives from a performance standpoint is less clear. Thus, we asked respondents to rate the impact of assessments on the performance of participants within 12 to 18 months.

Overall, the data were very encouraging. Approximately 65% of respondents indicated that their assessment and development processes had a "moderate" or "significant" impact on the business performance of high-potentials and senior executive participants (see Table 10).

*Table 10* **Impact of Assessments: What Would You Say Has Been the Impact of the Assessment and Development Process on the Performance of Participants Within 12–18 Months of Assessment?**

| Response Option | High-Potentials | Senior Executives |
|---|---|---|
| No real noticeable impact (0% improvement) | 3% | 2% |
| Minor impact (1–4% improvement) | 10% | 9% |
| Moderate impact (5–9% improvement) | 40% | 37% |
| Significant impact (10–20% improvement) | 28% | 28% |
| Dramatic impact (21%+ improvement) | 0% | 5% |
| Too Soon to Tell | 19% | 19% |

These scale points were defined by a perceived 5% to 9% or 10% to 20% improvement in business performance. About 9% for each target group were reported as having a "minor" impact, but perhaps most importantly, only 2% to 3% reported "no noticeable impact" of their assessment processes. Not surprisingly given the limited tenure of some of the programs noted earlier 19% reported that it was "too soon to tell" the outcome of their assessments.

Overall, the pattern was very consistent between the two target populations with a significant correlation of $r(43) = .44$, $p < .01$. In addition, and providing some measure of validity to the results, correlations between assessment program tenure and impact were significant between the corresponding target groups (i.e., high-potential program tenure with impact on high-potentials) at $r(47) = .52$, $p < .001$ and $r(44) = .33$, $p < .05$ (parallel relationship for senior executive items). These estimations, although subjective and likely biased to some extent by the respondents' program ownership versus hard measurement, provide support for the use of assessment and development for both high-potentials and senior executives. They also support the belief in practice that programs take time to have a significant impact. These data would suggest that the longer the processes have been in place the greater the impact on participants.

## Themes From Write-In Comments

The final question on the survey was a write-in that inquired about the most important issues being faced by the respondents' talent assessment programs. Overall, 41 companies responded to the question, and answers were content coded to reveal several key themes. In general, there were a variety of issues mentioned, many of which were consistent with the findings addressed in the survey. A few represented new and unique areas to consider for discussion and future research (see Table 11 for details and sample comments).

The theme most frequently mentioned (25%) was enhancing the overall assessment strategy and ensuring better integration of the information collected. The second most common theme (20%) concerned appropriate judgment and use of assessment data. With 95% of these companies either having a program in place already or in consideration in some form, there is a clear need to ensure that assessments are not another "flavor of the month." Thus a focus on strategy, integration and appropriate use of data is key. One poor decision can destroy trust in a process for years. Related to this point, a smaller group of respondents mentioned the importance of managing through the culture change of introducing and using assessment data (7%), which is an important point particularly in organizations where this a newer concept. Given that a number of companies are introducing or considering new assessment processes, treating these efforts as an OD intervention (e.g., with a culture change component) is probably a useful perspective to have. The remaining themes were relatively dispersed and spanned a variety of topics such as ensuring development occurs, funding, definitions, and so forth.

## Summary and Implications for Practice

In sum, this study covered a wide range of topics that have been largely unexplored in terms of how they manifest in companies today. Based on the findings, we believe the following are the most significant implications that I-O and consulting psychologists should use to help their clients in understanding the assessment landscape.

**Top development companies use assessment, and they use it well.** On the basis of these findings and those of a previous study (Church & Rotolo, 2013), we can conclude that these top development companies earn their reputation quite well. They utilize assessment tools and processes extensively for both high-potentials and senior leader populations (80% use assessments currently, and another 15% plan to do so). Further, they utilize a multimethod and multitrait approach. They share results with participants as well as managers and HR, although they tend to provide more detail to the participant to allow him or her to have some control over the content. They also keep the assessment results fresh by maintaining a shelf-life of approximately 2 to 3 years before reassessing.

**Perceived impact of assessment practices is high.** As a result of the practices described above, these top development companies enjoy a high level of organizational impact and broad participant (and nonparticipant) support. Two-thirds of the companies view assessment as having a moderate to heavy impact on organizational results (only 9% reported a minor impact). They also

*Table 11* **Content Analysis From Write-In Comments**

| Theme | No. of Mentions | % of Comments | Sample Comments[a] |
|---|---|---|---|
| Enhancing Strategy & System Integration | 14 | 25% | We now have good assessment information, but need to better utilize [it] in strategic, long-term workforce planning. |
| Improving Judgment & Use of Results | 11 | 20% | The consistent use of the information in development and potential assessments and using it as a guiding factor, not as a determining factor. In other words, recognizing that it is a piece of data to be leveraged and compared and contrasted with other information and knowledge about an individual's development needs and ultimate potential. |
| Ensuring Development Happens | 8 | 15% | How to determine real development needs go guide planned experiences; Developing the talent (based on the results) quickly enough to meet the pipeline needs. |
| Securing Funding & Resources Needed | 7 | 13% | Funding—Human Resources wants to do more of these assessments, but overall budgets are a constraint so we have to delay some assessments for some individuals. It's always about prioritization. |
| Developing Better Definitions of Potential | 6 | 11% | Assessment that measures true rather than perceived potential (high potentials) and leadership capabilities and gaps for senior execs. |
| Increasing Transparency to Organization | 4 | 7% | Complete transparency across the organization; Greater transparency in the talent process and talent ratings in general. |
| Managing Culture Change in Use of Data | 4 | 7% | Assessment is a new concept to the firm that has a rich history of being ultra-conservative in all aspects of HR and business philosophy. Immense amount of communication and explanation has been required. |

[a] *Comments have been edited for clarity, grammar, and to prevent identification.*

report high levels of acceptance from participants (both high-potentials and senior leaders). Undoubtedly this is facilitated by their robust communication strategies, with 78% of companies communicating results to the manager and HR support in addition to participants. Although inconclusive, we would like to infer from these encouraging results that individuals (both participants and nonparticipants alike) are beginning to understand the role of assessment in organizations, even when there is a dual purpose of the assessment for both development and decision making.

**Best practices for high-potential assessment are emerging.** On the basis of this study, which contributes to a growing body of research, we are beginning to see some common practices in terms of high-potential assessment. Although we would clearly consider some of these as "best practice," other practices are further away from where we expected these industry-leading companies to be. For example, on the positive side, the majority of these top development companies assesses their high-potential talent, and utilize the assessment results for both development and decision-making purposes (i.e., for either identification or confirmation). Most also have a formal definition of potential (64% used a job level-based definition) and use multiple indicators to identify high-potential talent. On the other hand, the vast majority of companies still use past and current performance as primary indicators of potential. And many companies continue to incorporate contextual factors such as mobility (41% of companies) and other background information (34%). Further, although we were encouraged to see that most companies follow the *BluePrint* framework when it comes to assessing high-potential talent, we believe that companies still have more progress to make in terms of leveraging the correct content domains for high-potential identification. Last, we are encouraged by the 34% of companies reporting full transparency relative to sharing high-potential designation. The additional 18% of companies that indicate their managers share the talent calls informally may indicate that transparency is on an upward trend. The 33% that indicate participants figure out their talent call on their own made us wonder about the difference between sharing such calls and the participant knowing their call. Although the end result may be the same, the perceived organizational support is clearly different (Eisenberger, etc. 1986), and the effects on employee commitment, engagement, performance, and other outcomes remain largely unknown in this context. Extending theory and research on engagement (e.g., Macey & Schneider, 2008) and high-potential transparency would be an interesting area for further research.

**Build assessment practices with the end state in mind.** As noted in the preceding paragraphs, it is quite common for I-O and consulting psychologists implementing major talent management programs for their clients to evolve a program over time to allow the organization to adapt to new practices, policies and behaviors. One of the more interesting and surprising findings from this study was the lack of a strong and significant relationship between high-potential program tenure and program maturity. Certainly, we found strong support for our maturity scale: Those companies at the more mature end of the continuum (Levels 4 and 5) were more likely to report using assessments as well as more likely to share high-potential talent calls than those at the lower end of the continuum (Levels 1 and 2). However, we also expected the more mature companies to report that their programs have been in place longer than less mature companies. Although there was a trend in this direction for high potential programs, there was not significant support for this hypothesis. This suggests that what we and others (Garr, 2012) might define as "mature" components of a high-potential program (e.g., transparent identification, sharing of talent calls, integrated with business strategy) may not need significant time for organizational adoption, and may not be easily instituted as the program ages if not part of the initial design and implementation. In short, this suggests that practitioners should consider all the relevant design elements of a high-potential program at the outset and make the correct strategic decisions, rather than start with an overly simplified or constrained process and rely on that to evolve over time.

Finally, although this study has moved us closer to understanding the high-potential and senior leader assessment landscape, there remain a variety of open questions that we would like to see addressed. One area that neither this study nor the previous addressed is how assessment programs integrate with the larger talent management systems and processes - for example, how the assessment information integrates with succession planning systems. We would also like to know more about the development planning processes that typically follow assessment practices and how the Learning & Development function supports an assessment practice (e.g., in what context is an assessment participant provided a leadership coach; what is the extent of development resources provided; and what are the decision criteria for determining these, etc.). Further, we think it would be interesting to know more about the key drivers of effective high-potential and senior leader assessment practices. For example, are such practices related to extensive use of assessment at other levels or functions within the company (e.g., general management vs. finance or marketing talent pools)? Does the level of expertise of the program owners impact the practices used? Finally, although the present study reflects practices of a sample defined as top development companies, it may be that smaller, more nimble organizations are actually engaged in more cutting edge and innovative TM and assessment programs. Future research should be directed at identifying and collecting similar types of data from smaller and/or more local organizations as well to explore possible learnings from their efforts.

## Limitations

The present benchmark survey study has several limitations that should be acknowledged. First, the research design employed a targeted sample of large organizations with strong TM and OD functions based on several different factors. Therefore, although the findings reported in this article are reflective of the population surveyed (given the 80% response rate), they may not be generalizable to all types of organizations. As noted previously, future research should be directed at examining processes and practices in other contexts such as family businesses, government agencies, religious organizations, nonprofit activist groups, and start-up companies to determine key differences, similarities, as well as identify possible innovative practices being developed in those contexts. Although the current sampling limitations do not mean that the findings are not applicable to other types of situations where assessments and high-potential programs are being considered, the data may not represent the full range of interventions in practice today.

It is also important to recognize that data reflect the perceptions of the respondents in each organization (e.g., a senior leader in the TM function) not the broader pool of employees. Although they are arguably the best source within the organization to answer survey questions of this nature, we have no way of gauging their level of knowledge about their processes. In addition, in making comparisons with Church and Rotolo (2013), although the samples surveyed are quite similar, they are not exactly the same. Thus, some differences between studies may be because of sample variations.

A second limitation concerns the anonymous survey methodology used and its impact on the ability to examine demographic relationships. As in the prior study this decision was made to maximize response rates by protecting respondents from revealing sensitive company information. While this is a common approach in survey research of this nature, it does limit the ability to test for demographic effects on assessment practices. Future research could attempt to address this issue by significantly expanding the survey pool and including appropriate coverage of demographic variables to ensure anonymity of responses. This approach would necessitate a different sampling frame. As noted above, this could also be useful in expanding the level of insights on innovative assessment practices in other types of smaller or midlevel organizations.

Finally, we acknowledge that perceptions of impact and performance of any process are inherently flawed. Future research should be directed at more objective measures of return on investment (ROI) of assessment techniques with high-potentials and senior executives. Some of the possible outcomes might include performance in future roles, bench strength, and measurable financial returns. Understanding the organizational impact of talent assessment practices through such metrics would be of significant value to the field.

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Appendix A

## ASSESSMENT & HIGH-POTENTIAL PRACTICES BENCHMARK SURVEY

*Assessment Practices Benchmark Survey II*

### Q1 Do You Have Some Form of Assessment Program or Process In Place For The Following Two Talent groups?

| | Yes | No | Currently under development | We used to, but not currently | Not currently, but considering |
|---|---|---|---|---|---|
| High-Potentials (below Vice President level) | ○ | ○ | ○ | ○ | ○ |
| Senior Executives (mid to upper level leaders e.g., Vice President and above whether high-potential or not) | ○ | ○ | ○ | ○ | ○ |

### Q2 Approximately what percentage of the total population does your high-potential pool represent currently?

○ 1–9%

○ 10–15%

○ 16–25%

○ 26–50%

○ 50%+

### Q3 Approximately what percentage of each population below do you assess annually?

| | 5–10% | 11–25% | 26–50% | 51–75% | >75% |
|---|---|---|---|---|---|
| High-Potentials | ○ | ○ | ○ | ○ | ○ |
| Senior Executives | ○ | ○ | ○ | ○ | ○ |

### Q4 How long has your current assessment program/process been in place?

| | Not yet launched/ 0 Months | 1–12 Months | 1 to 2 yrs | >2 but less than 5 yrs | More than 5 yrs |
|---|---|---|---|---|---|
| High-Potentials | ○ | ○ | ○ | ○ | ○ |
| Senior Executives | ○ | ○ | ○ | ○ | ○ |

**Q5 For what purpose(s) are the assessments used? (Select all that apply; leave blank if none)**

| | High-Potentials | Senior Executives |
|---|---|---|
| Internal job placement & staffing | ☐ | ☐ |
| External recruitment/selection | ☐ | ☐ |
| Identification of potential | ☐ | ☐ |
| Confirmation of potential | ☐ | ☐ |
| Succession planning | ☐ | ☐ |
| Identification of development needs | ☐ | ☐ |
| Confirmation of skill acquisition/capability development | ☐ | ☐ |
| Self-initiated/Ad hoc | ☐ | ☐ |

**Q6 How would you describe the general attitudes and perceptions towards assessment in your organization for each of the four audiences below (select if yes; select all that apply)?**

| | High-Potentials (Participants) | Senior Executives (Participants) | Senior Most Leadership Team/c-Suite |
|---|---|---|---|
| Anxiety/apprehension | ☐ | ☐ | ☐ |
| Concern over inappropriate use of data | ☐ | ☐ | ☐ |
| Questioning the value/impact | ☐ | ☐ | ☐ |
| General acceptance of the process | ☐ | ☐ | ☐ |
| Perceived as a special opportunity | ☐ | ☐ | ☐ |
| Significant interest in the results/data | ☐ | ☐ | ☐ |
| Other attitudes (Please Specify) | ☐ | ☐ | ☐ |

**Q7 Which of the following statements best characterizes your high-potential program and practices?**

- o Reactive: HP employees identified via ad hoc processes and without clear criteria. No targeted HP development. (1)
- o Inconsistent: HP identification criteria exist but inconsistently implemented; HP development varies and is determined largely by managers. Limited executive engagement and planning for critical positions. No integration of HP strategy with other talent processes. (2)
- o Standardized: HP identification consistently implemented. HP strategy integrated with select talent processes. Moderate executive engagement. Short-term planning for critical positions. Transparency of HP status is inconsistent. (3)
- o Transparent: HP development implemented consistently across enterprise. Longer-term planning for critical positions. Full disclosure to HPs regarding their status. HP transition support is moderate. (4)
- o Business-Integrated: Full executive engagement. Long-term planning for critical positions. HP strategy fully integrated with all talent processes. Business impact of program measured. HP talent visible and shared across enterprise. HiPo transition support is prevalent. (5)

**Q8 Which of the following are included in your criteria for identifying high-potential employees? (Select all that apply)**

- ◻ Current performance
- ◻ Past performance
- ◻ Mobility (willingness to relocate)
- ◻ Background demographics
- ◻ Assessment data
- ◻ Other ________

**Q9 How would you characterize your organization's definition of a high-potential employee? (Select all that apply).**

- ◻ Employee demonstrates an accelerated promotion rate (e.g., faster than peers)
- ◻ Employee can reach a certain level of promotion (e.g., 2 level jump, ultimate job level
- ◻ designation)
- ◻ Designation to a general talent pool (e.g., GM bench, senior leadership bench)
- ◻ Designation to a specific talent pool (e.g., senior sales, finance, marketing)
- ◻ Pipeline for a target role (e.g., CEO, CFO, CMO, COO)
- ◻ Do not have a definition of high potential

**Q10 Do you have a formal policy about sharing talent call/classification with high-potential employees?**

- o Yes, our policy is to share high potential status with the employee
- o No, our policy is to not communicate high potential status, and status is generally not known
- o No, our policy is not to communicate status, but is often communicated informally by the manager
- o No, but individuals can often determine their category through other company actions (e.g., leadership program invitations, special projects, greater access to senior leaders, etc.)
- o Other _______________

**Q11 Which of the following factors are measured in your assessment suite? (Select all that apply)**

| | High-Potentials | Senior Executives |
|---|---|---|
| Cognitive Skills (e.g., strategic thinking, complexity) (1) | ☐ | ☐ |
| Engagement (2) | ☐ | ☐ |
| Executive Presence (12) | ☐ | ☐ |
| Functional/Technical Skills (including business knowledge) (3) | ☐ | ☐ |
| Leadership Competencies (e.g., inspiring and developing others) (4) | ☐ | ☐ |
| Learning (e.g., ability, agility, orientation) (5) | ☐ | ☐ |
| Motivation (e.g., career ambition, drive, risk taking) (6) | ☐ | ☐ |
| Personality (e.g., conscientiousness, extraversion) (7) | ☐ | ☐ |
| Resilience (22) | ☐ | ☐ |
| Self-awareness (8) | ☐ | ☐ |
| Values Demonstration (9) | ☐ | ☐ |
| Verbal/Communication Skills (10) | ☐ | ☐ |
| Other Factors (11) | ☐ | ☐ |

**Q12 What is your communication strategy for informing people about your assessment programs?**

- o Participants only
- o Participant & manager/HR support
- o Full organization-wide communication
- o Inconsistent/No strategy

**Q13 Who has access to the results of the assessment program/process? (Select all that apply)**

| | Complete Results (e.g., individual reports for each measure/tool) | Integrated Summary (e.g., blended across dimensions/factors) | Topline Summary (e.g., strengths, and opportunities only) |
|---|---|---|---|
| Only the individual being assessed | ☐ | ☐ | ☐ |
| Individual + Manager/Supervisor | ☐ | ☐ | ☐ |
| Senior Most Leadership Team/c-Suite | ☐ | ☐ | ☐ |
| Board of Directors | ☐ | ☐ | ☐ |

**Q14 Generally speaking, what would you say has been the impact of the assessment and development process on the performance of participants within 12–18 months of assessment:**

| | No real noticeable impact (0% improvement) | Minor impact (1–4% improvement) | Moderate impact (5–9% improvement) | Significant impact (10–20% improvement) | Dramatic impact (21%+ improvement) | Too soon to tell |
|---|---|---|---|---|---|---|
| High-Potentials | ○ | ○ | ○ | ○ | ○ | ○ |
| Senior Executives | ○ | ○ | ○ | ○ | ○ | ○ |

**Q15 What is the approximate shelf-life of your assessment results (the suite in general):**

| | No time limit | Annual | 2–3 yrs | 4 yrs or more |
|---|---|---|---|---|
| High-Potentials | ○ | ○ | ○ | ○ |
| Senior Executives | ○ | ○ | ○ | ○ |

**Q16 What is the most important issue you are facing regarding your talent assessment program/processes?**

Appendix B

## DEFINITION OF TERMS

**High-Potential**—someone below the VP level who is seen as having the capability to progress into leadership positions two or more levels beyond their current role.

**Senior Executives**—leaders in the mid- to upper leadership levels in the organization (e.g., Vice President and above), regardless of whether they are considered high-potential or not.

**Assessment**—use of standardized tools and methods to evaluate an individual's capabilities and/or behaviors to make personnel decisions and/or provide development feedback.

CHAPTER THREE

# Why is High Potential Talent Identification so Thorny?

This chapter covers two challenges in high potential talent identification. The first is whether to tell exceptional talent they have potential to lead a hospital in the future. The second addresses bias in talent identification.

8. **How to Hang on to Your High Potentials**
   Fernández-Aráoz et al., Harvard Business Review, 2011

9. **Talent or Not? Employee Reactions to Talent Identification**
   Björkman et al., Human Resource Management, 2013

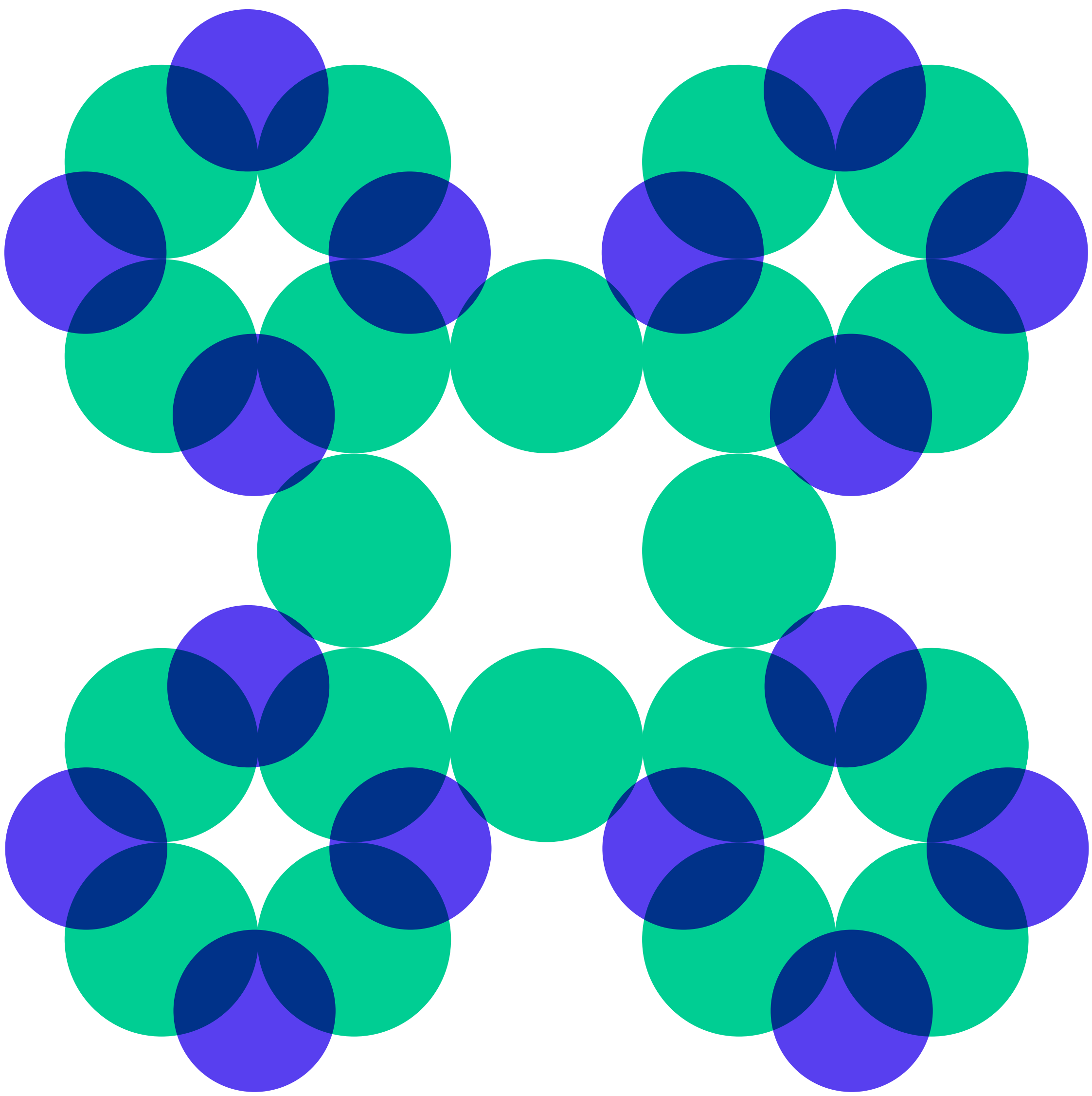
10. **Driving Workforce Equity with the Internal Talent Marketplace**
    Brodzik, Deloitte Global Services Ltd., 2021

11. **How Diverse is Your Pipeline? Developing the Talent Pipeline for Women and Black and Ethnic Minority Employees**
    Stewart, Industrial and Commercial Training, 2016

Harvard Business Review 2011

# How to Hang on to Your High Potentials

**CLAUDIO FERNÁNDEZ-ARÁOZ | BORIS GROYSBERG | NITIN NOHRIA**



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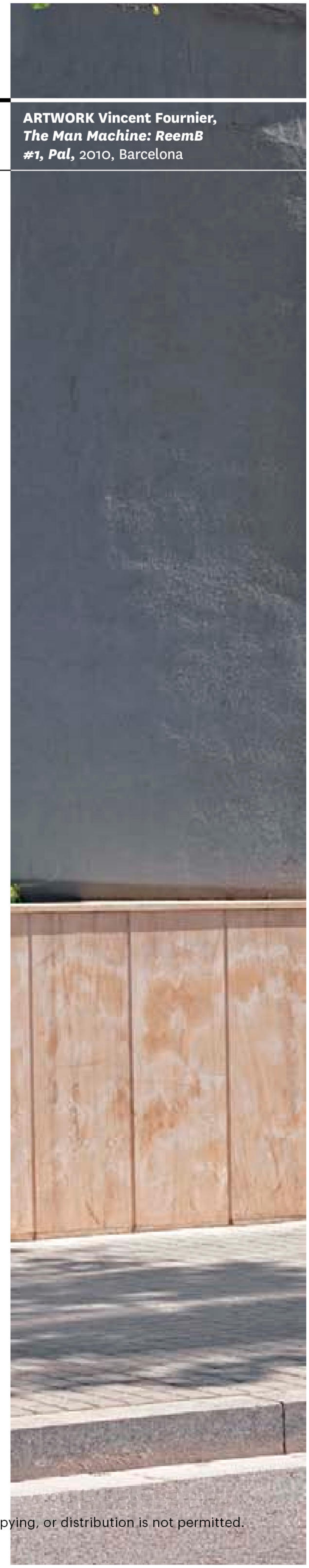
Harvard Business Review
OCTOBER 2011
REPRINT R1110D

SPOTLIGHT ON TALENT

# How to Hang On to Your High Potentials

**Emerging best practices in managing your company's future leaders** *by Claudio Fernández-Aráoz, Boris Groysberg, and Nitin Nohria*

Spotlight

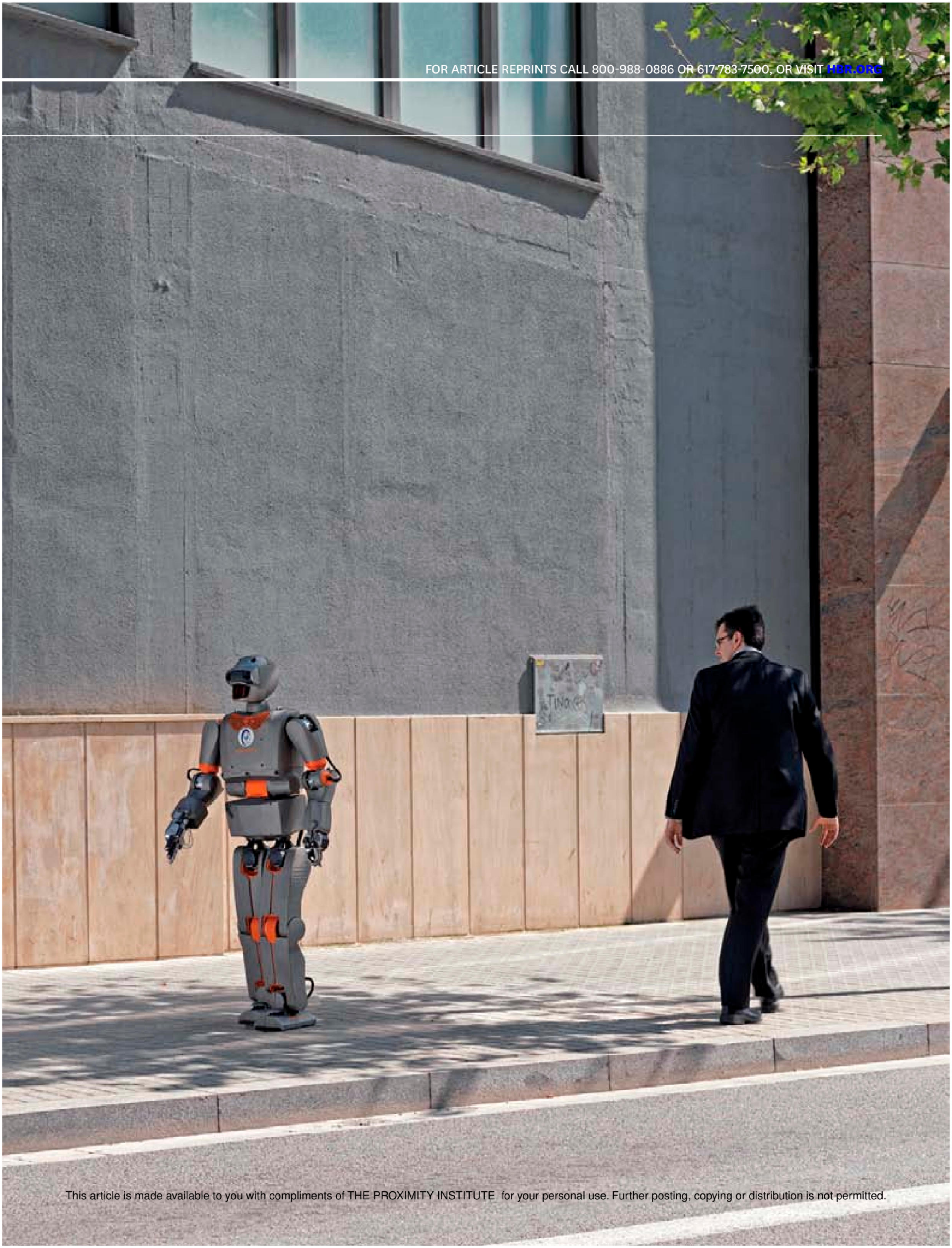


**ARTWORK Vincent Fournier, *The Man Machine: ReemB #1, Pal*,** 2010, Barcelona

# How to Hang On to Your High Potentials

***Emerging best practices in managing your company's future leaders*** *by Claudio Fernández-Aráoz, Boris Groysberg, and Nitin Nohria*

**THE WAR FOR** talent shows no signs of letting up, even in sectors experiencing modest growth. According to a global study we conducted, only 15% of companies in North America and Asia believe that they have enough qualified successors for key positions. The picture is slightly better in Europe, but even so, fewer than 30% of European companies feel confident about the quality and amount of talent in their pipelines. Moreover, in the regions where many companies are focusing their growth strategies—emerging markets—the supply of experienced managers is the most limited, and the shortage is expected to continue for another two decades.



One popular battle strategy is to institute programs aimed at "high potentials"—the people that companies believe may become their future leaders. The appeal is clear for both sides: Promising managers are attracted to companies known for strong development opportunities, and a well-managed talent pipeline dramatically increases the odds that a company will appoint great leaders at the top.

But these programs aren't simple to execute. The selection criteria are often confusing. Employees are frequently mystified by who's included and who's excluded. Company leaders have to weigh the upside of putting top performers into developmental opportunities against the downside of temporarily distracting them from an enterprise's immediate needs. Firms risk demoralizing solid contributors who are *not* anointed as high potentials—the vast majority of managers, the people who keep the trains running on time. Sometimes the chosen few don't stick around or don't live up to expectations. And too often, the programs fail to maintain momentum, leaving companies unsure they have paid off and fueling worker cynicism.

There are exceptions, of course. Companies such as GE, Unilever, PepsiCo, and Shell have long been known for their careful attention to talent management. But those companies are not the norm.

As far as we know, no one has yet studied the process of managing high potentials from end to end. In order to fill this void, in 2007 we launched a joint research project with the executive search firm Egon Zehnder International, conducting a large-scale cross-sectional and longitudinal analysis of how companies assess and manage their rising stars. We also interviewed executives from 70 companies that have programs for high potentials—firms of all sizes, located around the world.

From this research, we identified a set of cutting-edge practices. Some are from unexpected places—such as an Argentine manufacturer of steel tubes that's become an international leader despite regional and industry turbulence, and a Turkish bank that has gone global. Some are broad—such as the direct involvement of a pharmaceutical-device maker's senior management team in the development of that company's 600 most promising leaders. Though high-potential programs abound, the field is so new and so dynamic that these practices haven't yet been time-tested. Still, they can provide valuable ideas and inspiration to companies looking to strengthen their talent pipelines.

One important finding of our research was that the effective management of the next generation of leaders always encompasses three sets of activities. The first involves the establishment of clear strategic priorities, which shape the way companies groom high-potential leaders. The second involves the careful selection of high-potential candidates—and communicating who they are to others in the organization. This can be touchy. And the third comprises the management of talent itself—how high potentials are developed, rewarded, and retained.

There is no cookie-cutter method for creating a successful program. Just as you can't lift any other people management process directly from another company, you can't assume that a high-potential program that works somewhere else will work for you. Your strategy and your culture influence the nature of the program that will be most effective. If your strategy is to aggressively expand through acquisitions in emerging markets, for instance, you'll need a different type of program than you would if you were pursuing low-cost leadership through operational and productivity improvements.

We'll outline the strategic, selection, and managerial aspects of effective high-potential programs below. But first, let's start with a definition.

> The desire to have a positive impact on others for the good of the organization is a key predictor of executive potential.

## What Is Potential?

We were a little surprised to discover how many companies launch high-potential programs without first clearly establishing what they mean by "potential." We use the following simple definition: Potential indicates whether someone will be able to

## Idea in Brief

**In the war for talent, the most effective weapon is the careful management of candidates for top jobs.**

Unfortunately, the development of a company's future leaders, or "high potentials," is often haphazard: There are no agreed-on best practices. Selection criteria are confusing; solid contributors are often demoralized by their exclusion from the process; development programs tend to remove promising managers from day-to-day operations.

In a far-reaching research effort, the authors have identified several sets of activities—"emerging" best practices—employed by companies with strong talent programs. They include:

**Aligning the programs** with corporate strategy, rather than adopting cookie-cutter approaches that seem effective in other organizations.

**Choosing candidates carefully,** through a combination of nominations and objective assessments, so expensive resources aren't wasted on the wrong people.

**Rotating people** through jobs that match their developmental goals and experiences.

**Communicating honestly.** Companies are often reluctant to acknowledge who's made the list, but the only real reason to keep it quiet is that you suspect the process is overly subjective or unfair.

succeed in a bigger role in the future. It is a person's *ability to grow and to handle responsibilities of greater scale and scope.* By "greater scale" we mean a job in the same area but with, say, a larger budget or staff; by "greater scope" we mean a job involving activities of substantially more breadth and complexity.

Consider a sales vice president who consistently meets her budget forecasts. Could you reasonably expect her to take responsibility for marketing as well? Might she be able to lead a multidivisional initiative—repositioning the business from a product-centric to a customer-centric organization? She doesn't have to be ready to take it on tomorrow to be high potential. However, if you're going to invest significantly in her development, you want to be reasonably confident that the investment will pay off.

Before classifying her as an up-and-coming leader, then, you'd look for signs of her capacity to learn quickly on the job, genuine interest in broadening her scope (is she inclined to show up at meetings where she might learn something that doesn't directly relate to her job?), and willingness to take on extra work on short notice. She might be very bright and a highly valued contributor but still not qualify as a high potential.

A basic model for assessing executive potential, developed by Egon Zehnder International, is depicted in the exhibit "The Essentials of Executive Potential." It contains five elements, shown in the exhibit as a section of five concentric rings. These range from very difficult to change (motives) to highly teachable (skills).

At the inner core are the individual's motives. These predict consistent patterns of behavior over time. They tend to be stable, are usually not conscious, and are highly related to what people enjoy and get energized or engaged by. Does the person get satisfaction from seeing others succeed? Does she demonstrate a passion for the organization's mission over personal reward? Foundational research at Harvard long ago showed the relevance of the "Three Social Motives"—achievement, affiliation, and influence. One form of the last motive, the desire for *socialized influence* (having a positive impact on others for the good of the larger organization), is a predictor of senior executive potential. To a certain extent, it may be something you're born with—or at least a product of early social interactions. However, positive work experiences and wise mentorship can help people develop better motives.

One level out you'll find a series of abilities we call "leadership assets," which predict how far and how fast an executive will grow. There are four important assets: A high potential *derives insight;* she can make sense of a vast range of information and discover and apply new ideas that transform past practices or set new directions. She also effectively *engages others* through emotions and logic, communicating a persuasive vision and connecting individuals. She *demonstrates resolve* and keeps on driving toward goals despite challenges. Finally, and perhaps most important, a high potential *seeks understanding;* she constantly looks for new experiences, ideas, and knowledge; asks for feedback; and adjusts her behavior accordingly.

At the next level is a sense of self, or identity. Identity is how you see yourself on the stage. For high potentials, this means envisioning yourself as a senior executive—not just for the prestige but because you want to fulfill a passion for developing a team or make things happen. Individual contributors may be motivated by others' success, for instance, but may have no wish to play an enterprise-wide role.

The characteristics found in the three innermost rings—which are so hard to change or learn—are essential to high potential. The things in the outer two rings of the model—skills and knowledge—can be acquired. Skills—what an executive is actually able to do and apply—can effectively be taught or learned on the job. And in order to perform an individual job well, every manager needs some specialized knowledge (say, about a market, a business, or certain practices), which should be tested and eventually supplied before any critical promotion.

### Align Development to Strategy

Many companies' programs for high potentials simply replicate those in place at other firms, as if talent could be developed with an off-the-shelf model, without taking into account an organization's goals. Potential is situational, and programs that manage it should be aligned with a company's strategy. (If your value proposition to employees is that you'll develop them for successful careers wherever they go, that's a legitimate aim, but it's not something that will necessarily strengthen your talent pipeline.) There is no universal great manager, as we found when conducting an analysis of a large group of GE "graduates" who went on to become CEOs at other companies. Some added tremendous value to their new organizations, but others proved disastrous. Doubtless all of them went through a rigorous development process at GE, but they could excel in a new company only if it was a strong strategic, organizational, and industry fit.

If, for instance, a company's strategy is to grow in emerging markets, it might focus on a more global talent pool as well as people who have demonstrated flexibility operating in unfamiliar settings. In contrast, a company that is committed to being the low-cost leader might target people who are highly disciplined and results-oriented.

Best-practice organizations start with this strategic focus but periodically reexamine their strategic priorities and refresh their pool of candidates. Such flexibility is key; from what we've seen, companies that set rigid goals about the type or number of high potentials, instead of taking a dynamic approach, become complacent and don't get much out of these programs.

One more note on tying talent management to strategy—it's not a matter to be left to HR. If the senior management team is not involved, the process may be doomed. It can be tough to get the seniormost executives viscerally engaged in talent development, but if they aren't personally invested from the start, the whole program could easily head down the wrong path.

### Select with Care

Though it can be tricky, choosing candidates for these programs is an extremely important part of the process: The consequences of a faulty assessment can be costly. Not only is it wasteful—in terms of training and developing people unlikely to become leaders—but it undermines employee morale and the credibility of the whole program. Furthermore, poor assessments also mean that people who have strong potential are excluded. Disheartening a prospective star for the wrong reasons can be extremely expensive.

A firm focused on emerging markets needs flexible people who can handle the unfamiliar; a low-cost firm needs disciplined people.

**Identifying promising candidates.** Selection usually begins either with nomination by the employee's immediate supervisor or through the annual appraisal process. At several companies we studied, including a Caribbean financial services firm, an Italian utility, and a Cypriot bank, managers are expected to pinpoint high-potential employees. At some companies, managers are expected to put forward candidates from their own departments but can nominate individuals from other departments as well.

Other companies, like one Danish bank we studied as well as a European airline and a Scandinavian online service provider, allow employees to nominate themselves. However, we found that the practice is not prevalent, because it carries risks. Across the board, people overestimate their potential. Their self-assessments might be useful but need to be taken in context.

Using annual appraisals to make the first cut brings more objectivity to the process. At a gas pipeline company we studied, two years' worth of outstanding reports qualify an individual as high potential. At an insurance company, the annual appraisal process specifically calls for categorizing individuals as lateral, potential, or high potential: *lateral* signifies that someone is ready to move into positions only at the same level; *potential*, readiness for promotion in two years; and *high potential,* the ability to make two major moves upward in the next five years. But annual appraisals alone are not enough—research has shown that most high performers are not, in fact, high potentials. That's why we recommend supplementing appraisals with a subjective view of candidates—like supervisors' recommendations and other inputs.

After you've identified your first cut of candidates, the next step is to develop valid and reliable assessments of their potential. Many companies routinely use personality tests to do this. The practice is somewhat more commonplace in North America and somewhat less popular in Asia and Africa. We don't recommend it; though some research in the early 1990s provided evidence that personality can predict job performance, it has become clear that personality tests have low validity. Furthermore, if they're self-reported, you can't prevent people from gaming them. The best tools for assessing potential are references and behavioral interviews. At some companies, psychometric tests are used only to customize development plans for candidates who have already been selected by other means.

Increasingly, major organizations also complement their own internal appraisals with periodic input from qualified external partners. External assessments decrease the element of bias and offer a broad set of benchmarks—allowing companies to compare their talent against strong outside candidates.

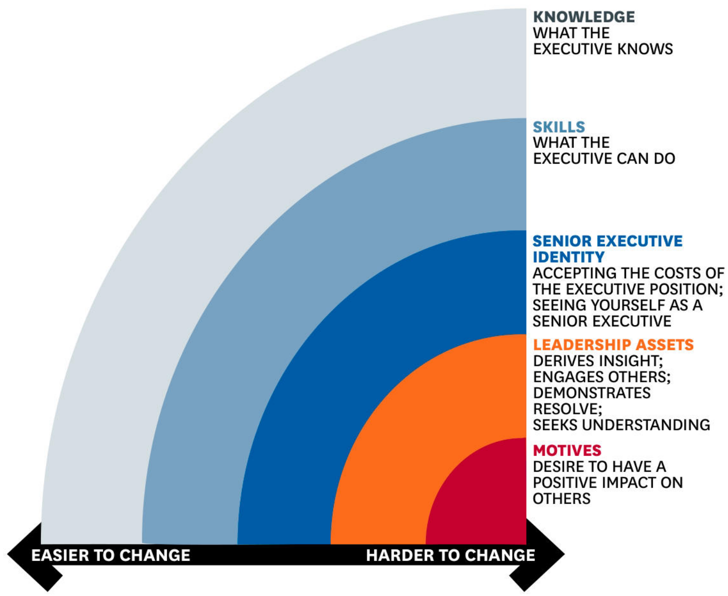
Just as important as the choice of methods is the person conducting the assessment. Most people aren't nearly as good as they think at sizing others up. Indeed, most managers are dismal at predicting employees' future accomplishments. The good news is that it's not about intuition: Accurate assessment can be learned. And the right person using the right model can learn to assess potential (predicting whether a person will not be promoted, will be promoted once, or will be promoted twice or more over the next four to five years) with 85% accuracy.

**Communicating wisely.** Many organizations try to "hide" high-potential classifications, as if that were possible. A study conducted by Anthony J. Fresina and Associates in 1987, featuring 225 corporations in 10 industries, found that 78% of companies did not inform high potentials of their designation, but 90% of the time employees knew anyway. Yet even in that study, informing high potentials of their status was clearly associated with enhanced retention and improved productivity.

Nonetheless, this is a delicate topic. If you're completely open about who is on the list, you have to prepare for the disappointment of those not anointed and even the frustration of high potentials whose expectations are not met. We believe strongly in transparency—let people know if they're high potential; acknowledge it when they are not. To some extent, the instinct to keep the list private is understandable, because the process is new at many firms and because companies have so much trouble evaluating even past performance. Still, we've found that the main reason companies don't communicate

## The Essentials of Executive Potential

This model shows the elements of potential, with the hardest to change—motives and leadership assets like the ability to engage others—at the core. Wrapped around those traits is a leader's sense of identity. It has a major impact on whether a manager will use a particular capability. He might, for instance, be able to create change in an organization, but if he doesn't define himself as a change agent, he won't. High levels of competence alone, therefore, can propel people to some success and some promotions but won't be enough to sustain them in large leadership roles.



openly is that their process is overly subjective or unfair and therefore indefensible.

To make sure they provided the right type of feedback, the companies we studied would typically inform managers in private discussions that they had or hadn't been designated as high potentials. Some companies also communicated status indirectly, by suggesting enrollment in special programs or appointing the managers to special developmental roles and assignments. However, transparency wins over secrecy.

## Develop and Reward Thoughtfully

The development of high potentials needs to go beyond formal education programs and include self-directed learning and other types of training. On-the-job development is also key. Changing underlying motives and traits is hard, but a combination of targeted mentoring, coaching, education, and job experiences can achieve considerable impact. The best companies in our study look for experiences that will both challenge and motivate people, and strongly encourage senior leaders' involvement in key activities like mentoring.

Programs for high potentials typically employ a handful of time-tested methods. One Eastern European financial services company we looked at offers a classic example of a formal, well-thought-out program. At this firm, in addition to performing their regular jobs and stretch assignments, selected young middle managers attend a 15-month training program designed and taught by business-school faculty and featuring case studies and other business-school content. They receive coaching at the same time. When the program ends, they get a three- to six-month foreign assignment, chosen for its opportunities for personal development, to do a job closely related to their job at home.

It's useful to involve company leaders as teachers—in both formal programs and informal conversations—and as networking resources. High potentials need visibility with senior executives, as well as role models of leadership. At a major pharmaceutical company we studied, the CEO and other members of the senior team meet one-on-one with people on the leadership development track. "They'll ask them about their experience being a member of the talent pool," explains the company's executive vice president of HR and corporate affairs. "Do they feel they're getting appropriate development? Are they getting good coaching from their leader? How can we help them? Do they understand the benefits of being a member of the global talent pool? When the CEO spends time doing this, it shows you how important he thinks it is."

**Job rotations.** It's well established that on-the-job experiences are by far the biggest lever you can pull in developing the skills that will take high potentials to larger, more senior, and more complex positions. As long ago as 1988, a study on managing high potentials conducted by C. Brooklyn Derr, Candace Jones, and Edmund L. Toomey showed that 84% of firms used job rotations as the primary strategy to develop high potentials.

Rotations that develop managers include bigger scale, bigger scope, line-to-staff or staff-to-line switches, cross-moves (handling a very different set of activities across divisions, functions, or industries), start-ups, turnarounds, change management initiatives, and international assignments. Changes in level, organizational unit, location, industry, and circumstances all help managers grow. Ideally, job assignments will involve novelty and the need to adapt. The greater the change in scope and responsibility, the greater the learning. There is, however, a fine line between a challenging assignment and an overwhelming one.

Because job rotations are costly, they should be chosen with care. Here again, it helps to go back to the strategic goals of the organization. What is it that this high potential would need the most to further contribute to our strategic objectives? If it's, say, broader international experience, consider a geographical shift with an eventual increase in job scale.

Make sure you don't overload people. There is a fine line between a challenging assignment and an overwhelming one.

But make sure you don't overload people—if you're expecting somebody to lead a significant overseas expansion, don't add too many new challenges in other dimensions.

**Rewards and incentives.** Some companies seem to believe that the high-potential classification is a significant reward in itself. But the best companies think beyond the benefits of participation in specific development programs and make considered choices about their high potentials' compensation, as well as how it's paid out.

Financial incentives should not be excessive—compensation is only one part of any reward strategy—and they must be properly aligned with the objective of building lasting strengths for the company. And external incentives like money work only in conjunction with internal motivators like the need for achievement and recognition. While companies need to pay people well to attract and retain high potentials in the first place, they should be careful not to overdo it, because that is the surest way to demotivate employees who are not classified as high potentials, who may feel unfairly paid.

**IF PEOPLE** are your most important asset, as companies like to say, then high potentials are vital to your future. We are hesitant to definitively label the processes we describe here "best practices," because they are evolving and we don't yet have long-term evidence of their merit. But we give credit to the companies experimenting with new approaches, because they are on the vanguard as we move into what may prove to be the most intense battle yet in the global war for talent.

**HBR Reprint** R1110D

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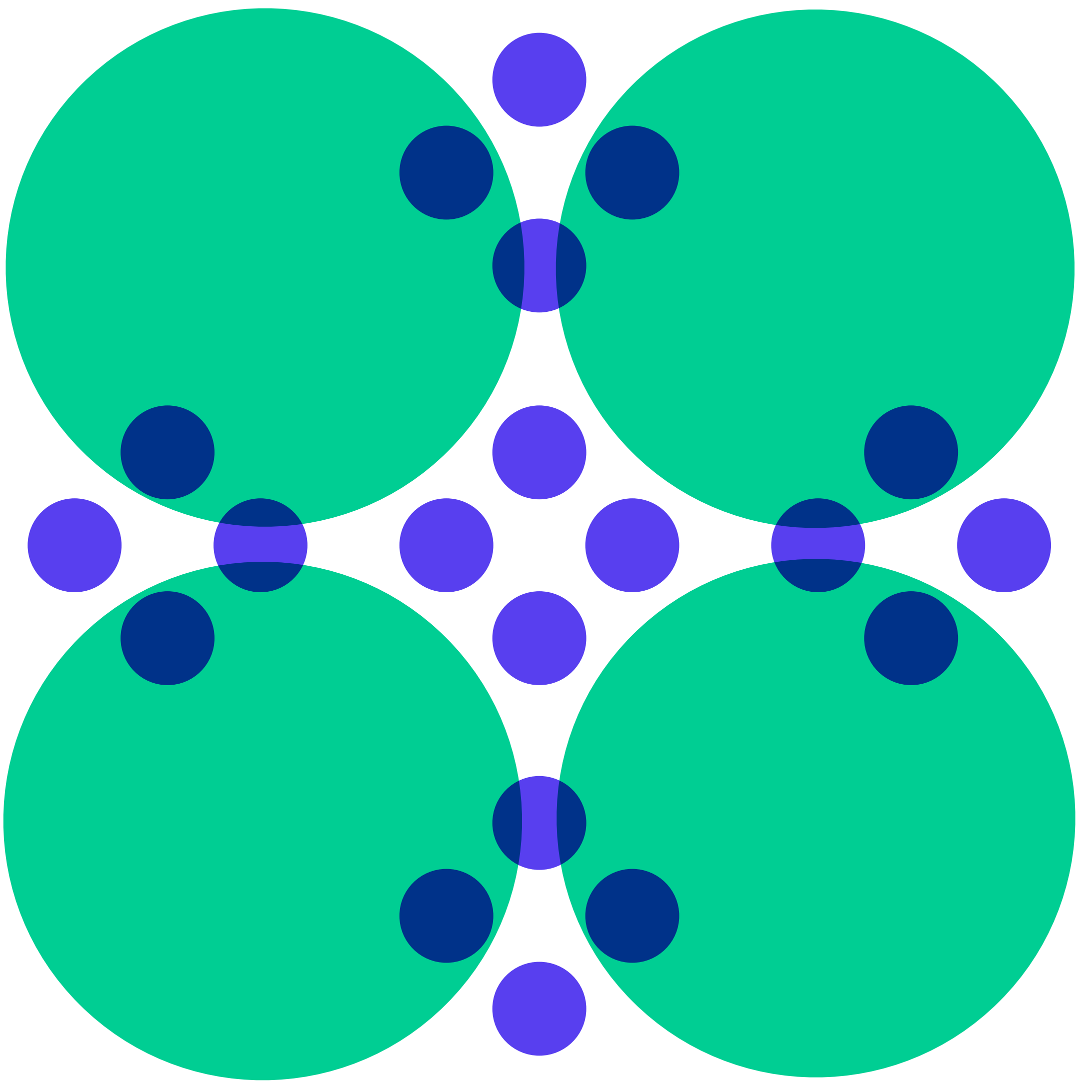
CARTOON: RANDY GLASBERGEN

"Remember when I walked past your desk this morning and didn't fire you? In today's economy, that counts as a raise and promotion."

Human Resource Management 2013

# Talent or Not? Employee Reactions to Talent Identification

INGMAR BJÖRKMAN | MATS EHRNROOTH
KRISTIINA MÄKELÄ | ADAM SMALE | JENNIE SUMELIUS



In this article, we examine the effect of talent identification on employee attitudes. Building on social exchange theory, we analyze the association between employees' perceptions about whether or not they have been formally identified as "talent" and the following attitudinal outcomes: commitment to increasing performance demands, building skills, and supporting strategic priorities; identification with the unit and the multinational enterprise; and turnover intentions. Our analyses of 769 managers and professionals in nine Nordic multinational corporations reveal a number of differences between employees who perceive that they have been identified as "talent" and those who either perceive that they have not been identified or do not know whether they have been identified. We found only limited differences between the two latter categories.

## INTRODUCTION

Interest in talent management has proliferated over the last decade, with the global shortage of leadership talent being touted as one of the highest HR concerns for multinational enterprises (MNEs) today (Cappelli, 2008; Guthridge, Komm, & Lawson, 2008). Consequently, MNEs have directed increasing attention to global talent management (Farndale, Scullion, & Sparrow, 2010; McDonnell, Lamare, Gunnigle, & Lavelle, 2010; Stahl et al., 2012; Tarique & Schuler, 2010), defined as "all organizational activities for the purpose of attracting, selecting, developing, and retaining the best employees in the most strategic roles (those roles necessary achieve organizational strategic priorities) on a global scale" (Scullion, Collings, & Caligiuri, 2010, p. 106). Although approaches vary, talent management usually focuses on a pool of employees who rank at the top in terms of performance and competencies, and are therefore considered leaders or key professionals either at present or at some point in the future (Collings & Mellahi, 2009; Lewis & Heckman, 2006). In MNEs, talent management decisions are increasingly global in that employees may be identified as "talent" or "high potentials" regardless of whether they are parent-country nationals, expatriates, or local employees working in foreign subsidiaries (Collings, Scullion, & Morley, 2007).

At the core of talent management is the assumption that the "talent" must be found, segmented, nurtured, and placed in pivotal positions that are crucial for the competitive advantage of the firm (Boudreau & Ramstad, 2005). Some attention has been paid to the question of how to identify talent, and scholars have also begun to examine factors that influence whether or not someone is classified as talent (Mäkelä, Björkman, & Ehrnrooth, 2010; Mellahi & Collings, 2010). This is in line with calls for literature on HRM to shift emphasis from HR practices to include an increased focus on the human capital that constitutes the underlying resource of these practices (Wright & McMahan, 2011).

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One key issue that many MNEs wrestle with is whether or not to inform high potentials about their status after talent reviews have been conducted and corporate talent pools decided upon (Evans, Pucik, & Björkman, 2011). The differential treatment of such employees in terms of developmental support or compensation can be a sensitive matter. If the status of high potentials is not made public, this may, for instance, lead to frustration among high performers who do not feel adequately recognized. On the other hand, if talent pool membership is publicized, the motivation of those not on the list of talent may drop. While the question has been posed of whether or not to inform individuals about their possible status as talent, there is little, if any, empirical research on the extent to which firms do this, how, and why. More important, there is no research that analyzes this issue in terms of the effects this may have on the individuals themselves. This is a serious omission since employee perceptions of talent management practices and decisions are likely to influence attitudes that are important for the performance of the organization (Boxall & Macky, 2009; Wright & Nishii, forthcoming).

In this article, we seek to address this research gap by analyzing the association between employees' perceptions about whether or not they have been formally identified as "talent," and a number of attitudes that have been associated with positive organizational outcomes in previous research, and which thus are central to effective talent management systems. Building on social exchange theory, we develop a range of hypotheses with regard to how individuals' perception of their talent status is related to the following attitudinal outcomes: acceptance of increasing performance demands, commitment to building competencies, support of company strategic priorities, identification with the focal unit and the MNE, and turnover intent. Our analyses of 769 managers and professionals in nine Nordic multinational corporations reveal a number of differences between employees who perceive that they have been identified as talent and those who either perceive that they have not been selected or do not know whether they have been identified.

## TALENT IDENTIFICATION AND EMPLOYEE ATTITUDES: A SOCIAL EXCHANGE PERSPECTIVE

Social exchange theory suggests that when corporations invest in their employees, they are likely to reciprocate these corporate investments in positive ways (Cropanzano & Mitchell, 2005), providing a useful lens through which to understand the mechanisms involved in how employees interpret and react to organizational talent management practices. Within this strand of research, there are a number of different ways of conceptualizing the employee–organization relationship. An employer perspective, for example, features in research on employment modes (March & Simon, 1958), in which it is analyzed in terms of the inducements an organization offers and the contributions it expects from its employees (e.g., Guest & Conway, 2002; Tsui, Pearce, Porter, & Tripoli, 1997).

The employee view of this organization–employee exchange relationship has, in turn, been extensively studied in relation to psychological contracts (Rousseau, 1995), which focuses on individuals' perceptions of what the organization offers and what employees are obliged to contribute in return (Conway & Briner, 2002, 2005; Guest, 2004). Previous empirical studies have established a link between perceived organizational inducements and employee obligations (e.g., Rousseau, 1990; Shaw, Dineen, Fang, & Vellella, 2009; Shore & Barksdale, 1998), with individuals perceiving that when the organization has invested in the employment relationship, they have an obligation to reciprocate the investment (Cole, Schaninger, & Harris, 2002; Kuvaas & Dysvik, 2010). A related research stream—organizational support theory—has examined employee reactions to their beliefs regarding how the organization values their contributions and cares about their well-being (Eisenberger, Fasolo, & Davis-LaMastro, 1990). Employees interpret corporate actions, especially HRM decisions (Guzzo & Noonan, 1994; Rousseau & Greller, 1994), as commitments or support on the part of the organization, which they then reciprocate through positive attitudes and behaviors that support the attainment of organizational goals (Coyle-Shapiro & Conway, 2005).

Building on the social-exchange perspective, we argue that talent identification, which explicitly assumes differential treatment of selected employees, is likely to be viewed by talent pool members as an indication of their employer's commitment toward them (Meyer & Allen, 1991) and as discretionary, future organizational support (Eisenberger et al., 1990; Eisenberger, Cummings, Armeli, & Lynch, 1997). In other words, inclusion in a talent pool is perceived as a signal that the focal individual's contribution to the organization has been valued and that the employer has fulfilled its contract by deciding to invest in his or her future career. This, in turn, is likely to lead to an internalized, normative obligation to act in a way that meets organizational goals and interests (Allen & Meyer, 1990; Lee, Liu, Rousseau, Hui, & Chen, 2011; Wiener, 1982).

We therefore expect individuals who believe that they know or, in other words, perceive that they have been identified as talent to be more committed toward issues that are important for their employer than those who either perceive that they have not been identified or those who do not know whether they have been selected or not. Similarly, based on research into the effects of perceived psychological contract breach (or violation) on employee attitudes and behaviors (Morrison & Robinson, 1997; Zhao, Wayne, Glibkowski, & Bravo, 2007), we further expect the attitudes of those who perceive that they are not included in talent pools to differ from those of individuals who do not know whether they have been selected. The attitudes of the former will be based on perceptions of unmet expectations and negative signals sent by the organization concerning its support and future investments in them. Thus, employees who do not know whether they are identified as talent are likely to be more positive toward the organization than those who perceive they have not been singled out as talent.

Inclusion in a talent pool is perceived as a signal that the focal individual's contribution to the organization has been valued and that the employer has fulfilled its contract by deciding to invest in his or her future career.

### ACCEPTANCE OF INCREASING PERFORMANCE DEMANDS

From the organization's point of view, how employees perform in their job is of obvious importance and the performance of individuals labeled as talent is likely to be particularly important (Collings & Mellahi, 2009). Individual performance is to a significant extent an outcome of their knowledge and skills and their personal efforts. Related to the latter, in accordance with social exchange theory, we expect individuals who perceive that they have been identified as talent to be more likely to accept increasing demands to do well in their jobs. This expectation is in line with the positive relationship that was found in a meta-analysis of the relationship between perceived organizational support and employee performance (Riggle, Edmondson, & Hansen, 2009). Therefore, and although there is little existing research that specifically examines employee acceptance of increasing performance demands, the following hypotheses will be tested in this study:

> Hypothesis 1a: Individuals who perceive that they are identified as talent are more likely to accept increasing performance demands than those who perceive that they are not identified as talent.
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> Hypothesis 1b: Individuals who perceive that they are identified as talent are more likely to accept increasing performance demands than those who do not know whether they are identified as talent.
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> Hypothesis 1c: Individuals who perceive that they are not identified as talent are less likely to accept increasing performance demands than those who do not know whether or not they are identified as talent.

### Commitment to Building Competencies

A central tenet of talent management is that corporations need to meet their future need for human capital in particular competencies needed in positions that are important for the competitiveness of the organization (Collings & Mellahi, 2009). One central strategy for meeting these needs is employee development. Applying social exchange theory, individuals who perceive that they are part of talent pools can be expected to reciprocate by building company specific competencies by seeking out developmental job experiences (De Pater, Van Vianen, Bechtoldt, & Klehe, 2009; McCall, Lombardo, & Morrison, 1988), feedback from their colleagues, mentors, and others whose knowledge and insights they may learn from, as well as striving to develop their knowledge and skills in other ways. This tendency may be further strengthened by efforts on the part of talented individuals to maintain current perceptions about their knowledge and skills (Firfiray, 2009), with management and leadership competence development being one of the ways in which they can achieve this. Therefore, we hypothesize the following:

Hypothesis 2a: Individuals who perceive that they are identified as talent are more likely to be committed to building competencies than are those who perceive that they are not identified as talent.

Hypothesis 2b: Individuals who perceive that they are identified as talent are more likely to be committed to building competencies than are those who do not know whether they are identified as talent.

Hypothesis 2c: Individuals who perceive that they are not identified as talent are less likely to be committed to building competencies than those who do not know whether they are identified as talent.

### SUPPORT OF STRATEGIC PRIORITIES

Again following social exchange logic, we expect employees to differ in the extent to which they support the strategic objectives of the corporation based on whether they perceive themselves to be identified as talent. Van Riel, Berens, and Dijkstra (2009) found that organizations can support strategically aligned behaviors in workgroups by stimulating employee motivation, informing employees, and encouraging capability development. Similarly, talent management activities, such as the inclusion of a person in a corporate talent pool, that shape employee interpretations of the terms of their psychological contract (Guzzo & Noonan, 1994; Rousseau & Greller, 1994) and signal the kinds of behaviors that are desired and rewarded within the organization (Bowen & Ostroff, 2004) create stimuli that increase individual motivation to actively support the strategic priorities of the employer. We expect employees who perceive they have received talent status to draw more favorable interpretations about their psychological contract and be more likely to support such priorities. Thus, we propose the following hypotheses:

> Hypothesis 3a: Individuals who perceive that they are identified as talent are more likely to actively support the strategic priorities of the firm than are those who perceive that they are not identified as talent.
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> Hypothesis 3b: Individuals who perceive that they are identified as talent are more likely to actively support the strategic priorities of the firm than are those who do not know whether they are identified as talent.
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> Hypothesis 3c: Individuals who perceive that they are not identified as talent are less likely to actively support the strategic priorities of the firm than those who do not know whether they are identified as talent.

## ORGANIZATIONAL IDENTIFICATION

Further, we expect talent identification to have an impact on how employees identify with their employer. Organizational identification refers to the strength of an employee's identification with the organization in which the person works, indicating a "perception of oneness with or belongingness to an organization, where the individual defines him or herself in terms of the organization(s) in which he or she is a member" (Mael & Ashforth, 1992, p. 104). Organizational identification has been found to have several positive effects for individuals and organizations (Ashforth, Harrison, & Corley, 2008). For example, if employees identify with the organization and have positive feelings about its leadership, their self-esteem and self-motivation will be enhanced. Organizational identification also facilitates cooperation across individuals and units since employees share values and loyalties.

Identification is a perception of belonging to an organization that is influenced by situational cues highlighting common interests or shared outcomes between an individual and an organization (Ashforth & Mael, 1989). However, situational cues (e.g., perceived similarity to others) do not necessarily resolve the ambiguity that can exist about organizational membership. We argue that being formally identified as talent will reduce individuals' ambiguity about organizational membership, strengthen their perceptions of positive distinctiveness, and lead to enhanced organizational identification (Firfiray, 2009). This is consistent with research showing perceived organizational support to be positively associated with organizational identification (Edwards & Peccei, 2010). Similarly, perceptions of not being identified as talent may lead to views of an imbalance in the social exchange process, which in turn may induce individuals to level the playing field by reducing their attachment to the organization (e.g., Turnley & Feldman, 1998).

In MNEs and other large organizations, however, employees may identify with more than one organizational entity. For instance, a manager may identify with both the corporation as a whole and/or the focal unit in where he or she is working. This has been shown to be true for managerial employees in subsidiaries (e.g., Reade, 2001a) as well as for expatriates (e.g., Stroh, Black, Mendenhall, & Gregersen, 2005). Moreover, there is evidence that subsidiary managers (Vora, Kostova, & Roth, 2007) and even expatriates from the MNE home country (Gregersen & Black, 1992) may identify more with the local unit than with the MNE.

We expect employees who perceive they have received talent status to draw more favorable interpretations about their psychological contract and be more likely to support such priorities.

**Identification with the Unit.** A study by Reade (2001b) reveals that employee identification with the local unit and identification with the whole corporation are driven by different sets of antecedents. Three factors shown to lead to greater identification with the unit were the perceived support of the individual's immediate supervisor, perceived opportunities for career advancement and fulfillment of potential within the local unit, and perceptions that the individual's nationality is not a barrier to the organizational hierarchy within both the local company and the global corporation. Building on our earlier arguments regarding positive distinctiveness and organizational support, we argue that being identified as talent sends a strong message that will serve to increase or support these perceptions in the minds of employees.

Furthermore, employee identification with the local unit may be particularly strong among those perceived as talent since the talent review process in MNEs is typically carried out at different levels in the organization, with local and regional units being responsible for assessing local talent (Evans et al., 2011). Similar to the positive effect of perceived support of the immediate supervisor cited earlier, employees are therefore likely to attribute their talent status (or lack of it) to decisions heavily influenced by decision-makers in the local unit. Hence:

> Hypothesis 4a: Individuals who perceive that they are identified as talent are more likely to identify with their unit than are those who perceive that they are not identified as talent.
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> Hypothesis 4b: Individuals who perceive that they are identified as talent are more likely to identify with their unit than those who do not know whether they are identified as talent.
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> Hypothesis 4c: Individuals who perceive that they are not identified as talent are less likely to identify with their unit than those who do not know whether they are identified as talent.

**Identification with the MNE.** Reade's (2001b) study identified two antecedents of employee identification with the MNE that are relevant for the identification of talent— support and appreciation of superiors at MNE corporate headquarters, and the opportunity for career advancement and fulfillment within the global corporation. Although decisions concerning talent identification are likely to be influenced by people at the local or regional level, being identified as talent and placed in a corporate talent pool as a result of a formal talent review process is still likely to be perceived by an individual as evidence of his or her positive distinctiveness and a clear sign of organizational support from the MNE, and provide individuals with a stronger sense of membership within the MNE. Moreover, being identified as talent may lead to more and/or better opportunities, perceived or actual, for training and development opportunities and career advancement on a global scale. Indeed, an explicit objective of the talent management systems of many MNEs is to improve the possibilities for talented individuals from units worldwide to develop an international career within the corporation. We thus hypothesize:

Hypothesis 5a: Individuals who perceive that they are identified as talent are more likely to identify with the multinational corporation than those who perceive that they are not identified as talent.

Hypothesis 5b: Individuals who perceive that they are identified as talent are more likely to identify with the multinational corporation than those who do not know whether they are identified as talent.

Hypothesis 5c: Individuals who perceive they are not identified as talent are less likely to identify with the multinational corporation than those who do not know whether they are identified as talent.

### TURNOVER INTENTIONS

Finally, from a talent management perspective, it is crucial for the corporation to retain high performing individuals with valuable and rare competencies. Perceptions of psychological contract breach are commonly shown to have a strong correlation with turn-over intentions (Zhao et al., 2007). There is also extensive evidence that employees who perceive that they receive support from the organization are less likely to consider leaving it: a meta-analysis revealed a mean corrected correlation of –.51 between perceived organizational support and turnover intentions (Rhoades & Eisenberger, 2002). Similarly, in the context of international assignments, Lazarova and Caligiuri (2001) and Stahl, Chua, Caligiuri, Cerdin, and Taniguchi (2009) found support for a negative relationship between international assignees' satisfaction with company support and their turnover intentions. Both studies emphasized the centrality of perceptions, arguing that employees' intent to stay or leave the organization is influenced by their subjective perceptions of the value and usefulness of the company support available to them, rather than by an objective evaluation of the existence or effectiveness of a certain practice. This continuance commitment (Meyer & Allen, 1991) can make it psychologically more difficult for an employee to leave the organization.

In line with the arguments forwarded earlier, perceptions of having been selected as talent can be viewed by employees as an indication that the employer values their contributions and has fulfilled its obligations by deciding to invest in their future development (Lee at al., 2011). Based on this reasoning, we expect that talent identification will influence employees in terms of their turnover intentions as follows:

> Hypothesis 6a: Individuals who perceive that they are identified as talent are likely to have lower turnover intentions than those who perceive that they are not identified as talent.
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> Hypothesis 6b: Individuals who perceive that they are identified as talent are likely to have lower turnover intentions than those who do not know whether they are identified as talent.
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> Hypothesis 6c: Individuals who perceive that they are not identified as talent are likely to have higher turnover intentions than those who do not know whether they are identified as talent.

## METHOD

### Data Collection

This study is based on data collected in the context of a large-scale research project on global HRM. The first step of the entire data-collection process was to identify the largest Finnish MNEs in terms of number of employees. We also checked that the scope of their international operations was suitable for the purpose of our project. Our aim was to gain access to at least ten subsidiaries in ten MNEs, one home-country and nine foreign units (excluding representative offices), in each MNE by asking the corporate HR representative to select those units that fit these criteria. The result was that eight MNEs chose to participate; however, this was reduced to seven since one MNE was forced to postpone data collection due to major restructuring. We then targeted additional Swedish and Norwegian MNEs of similar size to increase comparability, resulting in one Swedish and three Norwegian MNEs joining the project. The resulting 11 Nordic MNEs represent a variety of industries, ranging in size from 2,500 to 60,000 employees, and have units in an average of 30 different countries. According to the corporate HR representatives, all MNEs sought to achieve a corporate-wide talent management system. It should be noted that none of the firms had an explicit policy of always informing individuals about their talent status.

The data for this article were collected through a web-based survey of 930 managers and professionals in 106 subsidiaries of the 11 corporations. This part of the study began with an e-mail sent to the HR manager of each of the subsidiaries (whom we had interviewed over the phone approximately six months earlier). In this e-mail, we described the survey and requested names and e-mail addresses of ten respondents in each participating subsidiary. We proposed the following criteria for the respondents in order to achieve a consistent frame but with enough variation: (1) there should be a fairly even balance between managers (with direct subordinates) and professionals/specialists (with no direct subordinates) from each unit, (2) the managers should be one or two hierarchical steps from the general manager (i.e., they report to the general manager or to a manager that reports to the general manager), and (3) managers and professionals/specialists were accepted from a range of different departments/functions, but not from the HR function.

> Perceptions of having been selected as talent can be viewed by employees as an indication that the employer values their contributions and has fulfilled its obligations by deciding to invest in their future development.

Upon receipt of the list of names, we contacted the prospective respondents directly via e-mail, briefly describing the project and its authorization from corporate and subsidiary HR, and inviting the respondents to complete a web-based survey. We created a unique questionnaire for each company, which enabled the inclusion of some company-specific terminology, such as the specific name of their talent review process where applicable. After one to two weeks, all respondents received an e-mail reminder. In some units where the response rate remained low, we contacted the unit HR managers for a second time, asking them to remind the respondents or provide additional names. The total number of questionnaires sent out was 1,230, and the final number of individuals responding to the survey was 930, producing a response rate of 76 percent. The survey was answered anonymously, with individual respondents being unidentifiable. For the purpose of this study, we excluded the individuals from two MNEs that did not have an explicit formal talent review process. This resulted in a sample of 787, and after having removed missing values, the final sample was 769 managers and professionals from 90 MNE units in nine corporations. Characteristics of the sample are provided in *Table I.*

*Table 1* **Characteristics of Participating Managers and Professionals**

| **N = 769** | **Category** | **%** |
|---|---|---|
| Gender | Male | 74.2 |
| | Female | 25.8 |
| Tenure in MNE | Years (mean) | 5.22 |
| Tenure in unit | Years (mean) | 4.61 |
| Reports to unit GM | Yes | 40.2 |
| | No | 59.8 |
| Nationality | Host-country national | 92.4 |
| | Foreign national | 7.6 |

The survey questionnaire was developed through multiple rounds of iteration, and pretested in pilot interviews with four external managers in equivalent positions to the respondents. Based on these, some questions were reworded in order to make them easier to understand. The questionnaire language was English and took between 15 and 20 minutes to complete. We chose to use the English-language version in all subsidiaries, as this was the official language used in inter-unit communications within the MNEs. In addition, for practical reasons as well as for comparability, we did not consider it realistic to translate the questionnaire into the more than ten national languages across the MNE units.

## Operationalizations

### Independent Variable

**Talent identification.** As discussed, all nine corporations in our sample had formal yearly corporate talent review systems in place, which they used for identifying high-performing and high-potential individuals. In order to assess whether the respondent was identified as talent, we asked the respondents the question "Are you formally identified by [the MNE] as belonging to a talent pool?"[1] Based on this, we created a three-category grouping variable in which group 1 = those who perceive that they are identified as talent (n = 185),[2] group 2 = those who do not know whether they are identified as talent (n = 494), and group 3 = those who perceive that they are not identified as talent (n = 90).

### Dependent Variables

In order to test the discriminant validity of our dependent variables and ensure that each of our constructs comprised only one underlying dimension (Cascio, 2012), we did a Varimax rotated factor analysis, extracting six factors. The analysis revealed five factors with Eigenvalues over 1, and a sixth factor with an Eigenvalue slightly below 1. Despite this, we decided to maintain the distinction between the six constructs based on theoretical arguments and because there were no significant cross-loadings exceeding the .50 level (Hair, Anderson, Tatham, & Black, 1998). The factor loadings ranged between .730 and .886, and the individual factors explained the following amount of variance: factor 1: 39.2 percent, factor 2: 16.9 percent, factor 3: 9.1 percent, factor 4: 6.1 percent, factor 5: 5.5 percent, and factor 6: 5.1 percent.

**Acceptance of increasing performance demands.** The operationalization of this construct was adapted from previous research (Rousseau, 2000). We asked respondents to indicate the extent to which they had made the following commitments to their employer: (1) to accept increasingly challenging performance requirements, (2) to adjust to changing performance demands, and (3) to accept new and different performance requirements. The questions were rated on a seven-point Likert scale ranging from 1 = "not at all" to 7 = "to a great extent." The Cronbach's alpha value for this construct was 0.92.

**Commitment to building competencies.** Following Rousseau (2000), we operationalized the respondents' commitment to building competencies by asking them to rate the extent to which they had made the following commitments to their employer: (1) to seek out developmental opportunities that enhance my value to my employer, (2) to build skills to increase my value to my employer, and (3) to make myself increasingly valuable to my employer. The questions were rated on a scale from 1 = "not at all" to 7 = "to a great extent." This construct had an alpha value of 0.92.

**Support of strategic priorities.** We measured the support of strategic priorities of the firm by asking respondents to rate the extent to which they had made the following commitments to their employer: (1) to actively support the strategic priorities of my employer in my daily work, (2) to actively help colleagues and subordinates focus on the strategic priorities of my employer, and (3) to actively discuss the strategic priorities of my employer with my peers.

This operationalization is in line with previous research (van Riel et al., 2009). The questions were rated on a scale where the scale anchors were 1 = "not at all" and 7 = "to a great extent." The construct had an alpha value of 0.88.

**Identification with the unit.** In line with the values-based construct validated by Reade (2001a), we measured identification with the local unit by asking respondents to indicate the extent to which they agreed with the following statements: (1) The practices of this local unit/subsidiary are in line with my personal values, (2) What this local unit/subsidiary stands for is important to me, and (3) My values and the values of the local unit/ subsidiary that I work for are the same. The questions were rated on a seven-point scale ranging from 1 = "do not agree" to 7 = "agree entirely." The alpha value for this construct was 0.88.

**Identification with the MNE.** We measured identification with the MNE by asking respondents to indicate the extent to which they agreed with the following three statements: (1) [The MNE's] global practices express my own values, (2) [The MNE] represents values that are important to me, and (3) I see no difference between my values and the corporate values of [the MNE]. The operationalization was also adapted from the values-based construct validated by Reade (2001a). The questions were rated on a seven-point scale where 1 = "do not agree" and 7 = "agree entirely." This construct had an alpha value of 0.89.

**Turnover intentions.** We operationalized the respondents' turnover intentions by asking them to indicate the extent to which they agreed with the three following statements: (1) I intend to look for a job outside of [the MNE] within the next year, (2) I often think about quitting my job at [the MNE], and (3) I intend to remain with [the MNE] for the near future (reverse-scored). The questions were adapted from Konovsky and Cropanzano (1991) and rated on a seven-point scale ranging from 1 = "do not agree" to 7 = "agree entirely." The alpha value for this construct was 0.81.

### Control Variables

To control for individual-level heterogeneity in terms of demographic and organizational characteristics (Felin & Hesterly, 2007), we controlled for gender, tenure in the MNE, number of subordinates, and nationality in terms of whether the respondent was a host-country national or not. Gender and nationality were operationalized as dummy variables, whereas tenure in the MNE and number of subordinates were linear and measured in number of years and number of subordinates, respectively.

## RESULTS

In order to assess the hypothesized differences between the three different groups (talent, not talent, and don't know if talent), we conducted our analysis using multivariate analysis of covariance (MANCOVA), which enabled us to examine group differences while also taking interdependencies between the different dependent variables into account (Hair et al., 1998). Since we have a nested dataset in which the respondents belong to one of 90 different MNE units, we also control for this by including the MNE unit as a categorical blocking variable. (We also ran a separate analysis in which we used "MNE" rather than the MNE unit as the categorical grouping variable; the overall results remained similar in terms of both sign and significance to those reported here.)

The correlation matrix of the variables in the study indicates that all correlations in the model are below 0.70. This suggests that our model does not suffer from a serious collinearity problem since Kline (2005) argues that the first indication of substantial multi-collinearity is correlations above 0.85. In Table II, we present the correlation matrix and descriptive statistics of the variables in this study. In Table III, we present the results of our models[3]

> Hypotheses 2a and 2b, which posit that individuals who perceive that they are identified as talent are more likely to have a commitment to building competencies than are those who perceive that they are not identified as talent, and those who do not know whether they are identified as talent, are both supported.

Our first set of hypotheses argues for differences between the three groups (yes, don't know, and no) in terms of accepting increasing performance demands. Hypothesis 1a, which posits that individuals who perceive that they are identified as talent are more likely to accept increasing performance demands than those who perceive that they are not identified as talent, is supported ($ß = 0.377$, $p < 0.01$). Similarly, Hypothesis 1b, suggesting that individuals who perceive they are identified as talent are more likely to accept increasing performance demands than those who do not know whether they are identified as talent, is also supported ($ß = 0.306$, $p < 0.01$). Conversely, Hypothesis 1c, which suggests a difference between the groups "no" and "don't know" regarding the likelihood of accepting increasing performance demands, is not supported ($ß = 0.070$, $p > 0.05$).

Our second set of hypotheses concerns attitudinal differences in commitment to building skills. Hypotheses 2a and 2b, which posit that individuals who perceive that they are identified as talent are more likely to have a commitment to building competencies than are those who perceive that they are not identified as talent, and those who do not know whether they are identified as talent, are both supported ($ß = 0.649$, $p < 0.001$) and ($ß = 0.400$, $p < 0.001$). Hypothesis 2c ("no" vs. "don't know") is not supported ($ß = 0.249$, $p > 0.05$).

In Hypothesis 3a, we receive support ($ß = 0.456$, $p < 0.01$) for our argument that individuals who perceive that they are identified as talent are more likely to actively support the strategic priorities of the firm than those who perceive that they are not identified as talent. Our results also support Hypothesis 3b ("yes" vs. "don't know") ($ß = 0.373$, $p < 0.001$), but not Hypothesis 3c ($ß = 0.084$, $p > 0.05$), which suggests a difference between the groups "no" and "don't know" regarding the support of strategic priorities.

In Hypotheses 4a and 4b, we argue for an increased likelihood of identifying with the unit if individuals perceive that they are identified as talent, as opposed to if they perceive that they are not identified as talent, or do not know whether they are talent. These hypotheses are both supported $ß = 0.369$, $p < 0.05$) and ($ß = 0.230$, $p < 0.05$). However, our results show no support for Hypothesis 4c ("no" vs. "don't know") ($ß = 0.139$, $p > 0.05$). Further, we find no support for Hypothesis 5a ($ß = 0.173$, $p > 0.05$), which posits that individuals who perceive that they are identified as talent are more likely to identify with the MNE than those who perceive that they are not identified as talent. Hypothesis 5b ("yes" vs. "don't know") on the other hand is supported ($ß = 0.296$, $p < 0.01$), while Hypothesis 5c ("no" vs. "don't know") is not ($ß = -0.123$, $p > 0.05$).

Finally, in our last set of hypotheses, we suggest differences between the three different groups concerning their turnover intentions. Hypothesis 6a is supported ($ß = -0.479$, $p < 0.01$), suggesting that individuals who perceive that they are identified as talent are less likely to have turnover intentions than those who perceive that they are not identified as talent. Hypotheses 6b ("yes" vs. "don't know") and 6c ("no" vs. "don't know") are not supported by our results ($ß = -0.182$, $p > 0.05$) and ($ß = -0.297$, $p > 0.05$).

Of the control variables, the number of subordinates came out as significant in all three models ("yes" vs. "no," "yes" vs. "don't know," and "don't know" vs. "no"), showing a strong positive relationship with all dependent variables, except turnover intent, as follows: acceptance of increasing performance demands ($ß= 0.162$, $p < 0.001$), commitment to building competencies ($ß= 0.128$, $p < 0.01$), support of strategic priorities ($ß = 0.244$, $p < 0.001$), identification with the unit (ß = 0.208, $p < 0.001$), and identification with the MNE (ß = 0.203, $p < 0.001$). The respondent being of foreign nationality (as opposed to being a host-country national) was negatively associated with the support of strategic priorities (ß = −0.382, $p < 0.05$) in all three models, and tenure in the MNE was negatively related to commitment to building competencies (ß = −0.105, $p < 0.001$). Finally, in all three models, gender (being male) was positively associated with the acceptance of increasing performance demands (ß = 0.359, $p < 0.001$) and the individual's commitment to building competencies (ß = 0.278, $p < 0.05$).

*Table 2* **Means, Standard Deviations, and Pearson Correlations**

| Variables | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Mean | 0.66 | 0.84 | 0.27 | 5.79 | 5.65 | 5.82 | 5.55 | 5.45 | 2.42 | 0.74 | 5.22 | 0.08 | 1.15 |
| SD | 0.47 | 0.37 | 0.45 | 1.01 | 1.10 | 1.01 | 1.09 | 1.14 | 1.39 | 0.44 | 1.71 | 0.26 | 0.88 |
| 1. Talent (1 = yes, 0 = no) | | | | | | | | | | | | | |
| 2. Talent (1 = yes, 0 = don't know) | | | | | | | | | | | | | |
| 3. Talent (1 = don't know, 0 = no) | | | | | | | | | | | | | |
| 4. Acceptance of increasing performance demands | 0.24*** | 0.14*** | 0.01 | | | | | | | | | | |
| 5. Commitment to building competencies | 0.32*** | 0.18*** | 0.10* | 0.63*** | | | | | | | | | |
| 6. Support of strategic priorities | 0.29*** | 0.20*** | 0.06 | 0.58*** | 0.59*** | | | | | | | | |
| 7. Identification with unit | 0.26*** | 0.12** | 0.12** | 0.33*** | 0.26*** | 0.31*** | | | | | | | |
| 8. Identification with MNE | 0.17** | 0.13** | 0.02 | 0.33*** | 0.28*** | 0.34*** | 0.58*** | | | | | | |
| 9. Turnover intentions | -0.22*** | -0.09* | -0.10* | -0.15*** | -0.17*** | -0.14*** | -0.40*** | -0.30*** | | | | | |
| 10. Gender (male = 1, female = 0) | 0.08 | 0.02 | 0.04 | -0.06 | -0.06 | 0.00 | 0.00 | -0.01 | 0.00 | | | | |
| 11. Tenure in MNE | -0.15* | 0.02 | -0.12 | -0.03 | -0.16*** | 0.00 | 0.04 | 0.04 | 0.03 | 0.13*** | | | |
| 12. Nationality (foreign = 1, host-country national = 0) | 0.03 | -0.02 | 0.04 | 0.05 | 0.03 | 0.08* | -0.02 | 0.06 | 0.04 | 0.02 | 0.02 | | |
| 13. No. of subordinates | 0.26*** | 0.10** | 0.11** | 0.15** | 0.10** | 0.23*** | -0.18*** | 0.19*** | -0.05 | 0.24*** | 0.17*** | -0.01 | |

*All two-tailed tests. *p < .05, **p < .01, ***p < .001. N = 782–787 for variables 4, 5, 6, 7, 8, 9, 10, 11, 12, and 13; N = 281–283 for variable 1; N = 685–688 for variable 2; and N = 591–594 for variable 3.*

*Table 3* **Multivariate General Linear Regressions**

| | Yes vs. No | | | Yes vs. Don't Know | | | Don't Know vs. No | | |
|---|---|---|---|---|---|---|---|---|---|
| | ß | Std. Error | t-statistic | ß | Std. Error | t-statistic | ß | Std. Error | t-statistic |
| Unit[a] Controls[b] | | | | | | | | | |
| 1. Acceptance of increasing performance demands | 0.377 | 0.14 | 2.76** | 0.306 | 0.09 | 3.45** | 0.070 | 0.12 | 0.59 |
| 2. Commitment to building competencies | 0.649 | 0.15 | 4.35*** | 0.400 | 0.10 | 4.13*** | 0.249 | 0.13 | 1.91 |
| 3. Support of strategic priorities | 0.456 | 0.14 | 3.28** | 0.373 | 0.09 | 4.12*** | 0.084 | 0.12 | 0.69 |
| 4. Identification with unit | 0.369 | 0.14 | 2.60* | 0.230 | 0.09 | 2.49* | 0.139 | 0.12 | 1.12 |
| 5. Identification with MNE | 0.173 | 0.15 | 1.17 | 0.296 | 0.10 | 3.07** | -0.123 | 0.13 | -0.95 |
| 6. Turnover intentions | -0.479 | 0.18 | -2.61** | -0.182 | 0.12 | -1.53 | -0.297 | 0.16 | -1.85 |
| $R^2$ | 0.196–0.267 | | | 0.196–0.267 | | | 0.196–0.267 | | |
| F | 3.362*** | | | 3.362*** | | | 3.362*** | | |
| N | 769 | | | 769 | | | 769 | | |

*All two-tailed tests. *p < .05, **p < .01, ***p < .001.*

*a The blocking variable "unit" is not significant for variable 3, significant at a p < .05 level for variable 2, and significant at a p < .001 level for variables 1, 4, 5, and 6.*

*b Of the control variables, gender (being male) was positively related with variable 1 (ß = .359, p < .001) and variable 2 (ß = .278, p < .01). Tenure was negatively associated with variable 2 (ß = –.105,*

*p < .001), and number of subordinates was positively related with variable 1 (ß = .162, p < .001), variable 2 (ß = .128, p < .05), variable 3 (ß = .244, p < .001), variable 4 (ß = .208, p < .001), and*

*variable 5 (ß = .203, p < .001). Nationality in terms of if the respondent was of foreign nationality (rather than being a host-country national) was negatively associated with variable 3 (ß = –.382, p < .05).*

## DISCUSSION

### Theoretical Implications

The objective of this article was to examine the association between employees' perceptions about whether or not they have been formally identified as "talent" and a number of individual attitudes. Our contribution to the literature lies in using a social exchange perspective to develop and empirically test a number of hypotheses concerning the previously unexplored association between talent identification and employee attitudes that are central to talent management and in previous research have been associated with positive organizational outcomes (Boxall & Macky, 2009; Wright & Nishii, forthcoming).

Our findings show that there are significant differences between those who perceive they have been identified as "talent" and both those who perceive they haven't and those who don't know. First, comparing those who perceive that they have been identified with those who haven't, we found that those who perceive that they have been identified as talent are more likely to be associated with all attitudes examined (commitment to increasing performance demands, to building competencies that are valuable for their employers, and to actively support its strategic priorities; identification with the focal unit; and lower turnover intent), with the exception of identification with the MNE.

Second, we found that those who perceive they have been identified as talent are more likely than those who don't know their talent status to be associated with all the attitudes examined, except turnover intentions. In other words, those who perceive they are identified as talent and those not knowing have the same likelihood of leaving the corporation. Taken together, these findings suggest that informing talented individuals of their status has a motivational effect in line with the predictions of social exchange theory and thus support the general logic of talent management. At the same time, the nonsignificant findings concerning identification with the whole corporation ("yes" vs. "no") and turnover intention ("yes" vs. "don't know") point to the intriguing possibility that these individuals know their value and that retention issues may arise should their expectations and needs not be met. Longitudinal studies of this issue are needed to enhance our understanding of the dynamics involved (cf. Robinson, Kraatz, & Rousseau, 1994).

The lack of significant differences between individuals who perceived that they had not been identified as talent and those who didn't know was surprising, as it seems to indicate that informing them that they are not talent has little negative effect. We can only speculate why this was the case. For instance, cognitive dissonance theory (Festinger, 1957) would lead us to expect that individuals who haven't been identified as talent might cope with this knowledge by downplaying the importance of being a member of a talent pool. This would be similar to the "sour grapes" effect, where individuals lower their opinion of anything they don't or can't get (Mann, Janis, & Chaplin, 1969). In social identification terms, although group membership (i.e., "talent") is perceived to be known (cognitive identification), the emotional attachment (affective identification) and value connotation (evaluative identification) assigned to this group are perhaps not strong enough among those not identified as talent to influence their attitudes or behaviors (Tajfel, 1981). In either case, a perception of not being identified as a talent would not have significant attitudinal effects. However, more research is clearly warranted on this issue.

In line with Scullion et al.'s (2010) definition of global talent management, which includes the need for organizations to take into account their "global strategic priorities as well as the differences across national contexts for how talent should be managed" (p. 106), it is reasonable to expect that there may be contextual differences in the preferred communication strategy and overall impact of talent identification on employee attitudes (Farndale et al., 2010). Indeed, although all nine corporations in our sample had corporate-wide talent management strategy and practices, there are a number of potential sources of exogenous variation that may influence their impact on employee attitudes, including different company policies, differing implementation within the various units of one MNE, and differences within supervisor subordinate relationships. For instance, recent case-study research on Western MNE subsidiaries in China suggested a heightened interest in identifying internal talent to address the high turnover of qualified Chinese employees (Hartmann, Feisel, & Schober, 2010). It was beyond the scope of the present study to investigate the influence of such cultural or institutional factors further, but this would be an interesting avenue of future research.

> The lack of significant differences between individuals who perceived that they had not been identified as talent and those who didn't know was surprising, as it seems to indicate that informing them that they are not talent has little negative effect.

Another key exogenous effect is that arising from differences in supervisor–subordinate relationships and leadership/communication styles of supervisors. Supervisors influence employees' attitudes toward the HR practices of the organization (Kuvaas & Dysvik, 2010) as well as their perceptions of the employment relationship (Rousseau & Tijoriwala, 1998). There is likely to be significant variation— regardless of company policies—in terms of how individual supervisors communicate about their subordinates' talent status, ranging from explicit formal assertions to informal and indirect clues. More comparative and qualitative research is called for to shed light on the effects of the communication strategies of supervisors, and how individuals make sense of and react to the signals they are sent, formally and informally, about their talent status.

## Limitations and Future Research

Like all research, this study is subject to a number of limitations. First, given its cross-sectional nature, we cannot rule out the possibility of common method variance having influenced the results. However, while the same individual provided data on both independent and dependent variables, the former was a grouping variable (as opposed to a Likert-type scale variable) and placed in the background section of the questionnaire. This is likely to have created a reasonable degree of psychological separation, which helps in reducing other potential sources of common method variance (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003).

Second, we measure individual perceptions of whether they are formally identified as talent or not. This may or may not correspond with objective talent pool inclusion. However, a key point we are making is that it is the perception of being identified as a "talent" that matters for the dependent variables, rather than any "objective" identification, regardless of whether this involves membership in a formal talent pool, training, accelerated promotion, or a certain type of job. Nevertheless, it would also have been of interest to analyze the correlates of talent pool membership. Furthermore, in line with equity theory and social comparison (Carrell & Dittrich, 1978), knowledge about the talent status of fellow colleagues could also be included as a variable in order to help shed further light on employees' attitudinal reactions.

Third, we acknowledge a possibility of reverse causality. It may be that individuals who are seen to exhibit some of the attitudes examined in this study are more likely than others to be included in talent pools, rather than (only) the other way around. However, while this might be feasible concerning, for example, the acceptance of increasing performance demands, it is unlikely that corporate executives involved in decision making about talent-pool inclusion have in-depth knowledge about the organizational identification and turnover intentions of individual employees. The findings concerning the groups "yes" vs. "don't know" also suggest that reverse causality is unlikely. Assuming that the "don't know" category includes both those who actually have and haven't been identified as talent, we would expect the differences between "yes" vs. "don't know" to be less significant than the differences between "yes" vs. "no." Since this isn't the case (see Table III), the more logical explanation is that identification leads to attitudinal reactions. Nonetheless, feedback loops may also exist in that inclusion in a talent pool might predict inclusion in the future, partly due to the attitudinal differences examined earlier. We therefore call for longitudinal research to examine the nature of causality within the relationships analyzed in the present study.

Finally, considering the external validity of the findings from our study, it should be noted that the sample of MNEs consisted of firms from three Nordic countries. It may be that Nordic samples differ from, for example, Anglo-American ones with regard to how prepared companies are to differentiate between employees and employee attitudes with regard to differentiation (both reflecting Nordic equalitarian values). Although any generalizations beyond the Nordic countries should be done with caution and we can only speculate, it may be that our results would be more pronounced in cultures in which individual-level differentiation is traditionally more accepted. While the findings from a recent study conducted by a consultancy firm for the Chartered Institute of Personnel and Development in the United Kingdom are broadly similar to those presented here regarding the positive attitudes of those in talent pools and non-detrimental attitudes of those who are not (Chartered Institute of Personnel and Development, 2010), future research on MNEs from other countries is needed to investigate whether or not there are contextual limitations to the generalizability of the results.

> The results suggest that it is not only better to inform employees that they have been identified as talent, but that it is perhaps also better to tell those who have not made it into talent pools—at least, if both talent reviews and communication about inclusion are conducted in a transparent and fair way, and if those who haven't been identified as talent have a real chance of making it next time around.

### Managerial Implications

The results suggest that it is not only better to inform employees that they have been identified as talent, but that it is perhaps also better to tell those who have not made it into talent pools at least, if both talent reviews and communication about inclusion are conducted in a transparent and fair way, and if those who haven't been identified as talent have a real chance of making it next time around. At best, this transparency may create a continuous tournament concerning who is viewed to have talent and thus have a motivational effect on employees. We know that talent reviews are susceptible to a number of biases stemming from, for example, cultural differences, gender, and network centrality (Collings & Mellahi, 2009; Greer & Virick, 2008; Mäkelä et al., 2010). It is therefore likely that the reactions of employees to their talent status will be mediated by their perceptions of whether the talent review process was carried out fairly (Firfiray, 2009; Turnley & Feldman, 1998).

It is worth noting that explicit, differential treatment of employees has the potential to reinforce competitive organizational climates in which the few go forward and the many are left behind (Cooper, 2008). Such climates might, on the one hand, lead to self-selection of performance oriented individuals to the organization, but may on the other hand also have long-term effects on employee morale and be demeaning for those who are solid workers but lack the ambition to compete for higher positions or for some reason are perceived by corporate decision makers to lack future potential. Indeed, it is argued that a company's long-term performance depends on the unsung commitment and contributions of their "B players" (i.e., those who are capable, steady performers, and provide an important counterbalance to the ambitions of the high performing "A players"; DeLong & Vijayaraghavan, 2003). It is therefore important to consider the potential long-term implications of identifying talent, and to counterbalance the focus on top talent with creative "talent solutions" (Beechler & Woodward, 2009) that capitalize on diversity (Greer & Virick, 2008), and involve broader and more inclusive approaches to talent management.

## ACKNOWLEDGMENTS

The authors are grateful to the Finnish Funding Agency for Technology and Innovation (Tekes) (Dec. no.53/31/08) and the Academy of Finland (Dec. no. 122402) for financing this research.

## NOTES

1. This question was customized for the various MNEs by using the company-specific term (i.e., in some cases "Are you identified as talent?" and in others "Are you identified as a high potential?") The choice of wording was based on the term used in earlier face-to-face interviews carried out with corporate HR representatives at HQ.

2. We can only speculate that this relatively high figure (i.e., 20 percent of the sample) is partly due to our focus on managers and professionals no more than two levels from the general manager, but may also be due to the respondents' inflated expectations of their standing.

3. Since one group always constitutes the reference group, we conducted two separate runs in order to get the comparisons between all the groups. In the first run, "no" was the reference group, thus enabling the comparison between the "yes" vs. "no" and "don't know" vs. "no" groups, while in the second run "don't know" constituted the reference group in order to allow for the comparison between the "yes" and "don't know" groups.

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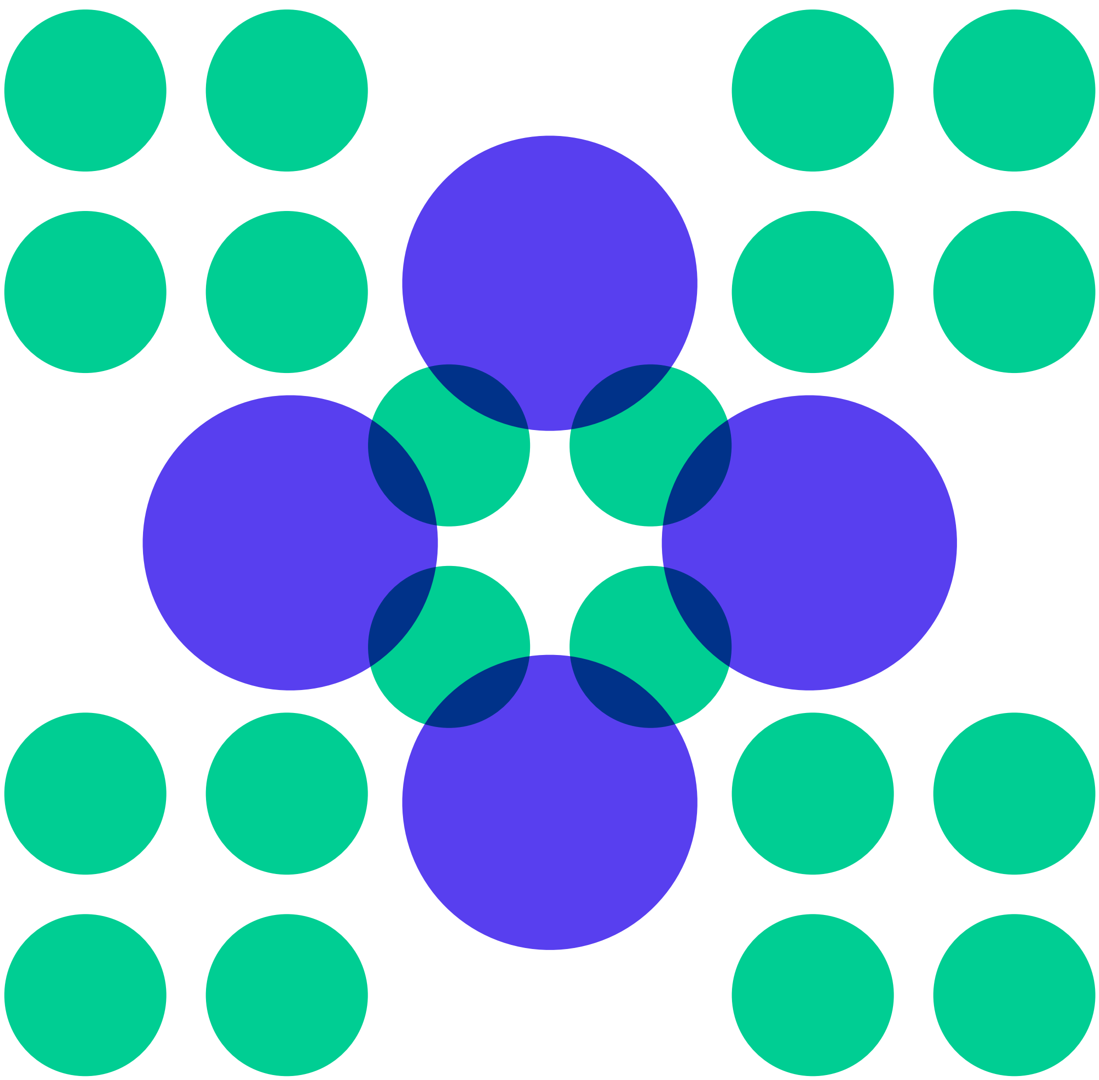
# Driving Workforce Equity with the Internal Talent Marketplace

**CHRISTINA BRODZIK**



Diversity and Inclusion are board-level imperatives. Business leaders understand that "human principles" like ethics and fairness enable organizations to thrive. However, socioeconomic inequities and racial injustice have renewed pressure to drive Workforce Equity. In fact, 94 percent of CEOs in Deloitte's *The equity imperative: The need for business to take bold action now* found diversity, equity, and inclusion (DEI) to be a "strategic priority." Therefore, leaders must find effective models and mechanisms to remove barriers to opportunity, address unconscious bias, eliminate disadvantages, and update outdated policies all to enable equity as a business outcome.

Deloitte's Equity Activation Model offers a systems-based approach to drive equity across three spheres of influence: Workforce, Marketplace, and Society. It puts forward three additional *activators* to guide human capital and DEI leaders on this journey specific to workforce equity. They are access to roles and positions, enablement to overcome career limitations, and advancement through orchestrated experiences and capabilities. (Defined below in greater detail).

Internal talent marketplaces—a new way to align workers with jobs, roles, gigs, and other opportunities through a technology-enabled platform—bring unique strengths to help achieve these outcomes. Also referred to as "opportunity marketplaces," they can support talent deployment through the creation of diverse and agile teams, develop employees through experiences and unlock human potential across the internal workforce ecosystem.

Human capital and DEI leaders can use these marketplaces to activate and drive Workforce Equity.

## BUILDING MORE TRANSPARENT ACCESS TO OPPORTUNITY

*Access: "how an organization identifies and matches talent to roles and positions, from talent pipeline development to extension of an employment offer."*

In traditional talent deployment, unconscious biases such as affinity bias or confirmation bias can lead to preferential access for some and restricted access for others due to limited visibility of talent and as a result, a reliance on personal networks to identify candidates and / or allocate development opportunities. A platform approach that uses artificial intelligence (AI) to generate a data set for matching can make the same opportunities transparent and accessible across the workforce and can change these dynamics.

To that end, the *MIT Sloan Management Review* Deloitte 2020 Future of Workforce study initially identified *"the design of Opportunity Marketplaces as perhaps the key leadership challenge for organizations seeking to ethically maximize human capital returns."* They can help organizations get the best out of their people in an ethical way with open and transparent access to opportunities: full-time, gig work, mentorship, rotation programs, stretch and volunteering assignments, and innovation and skill-building experiences.

In this way, workers can gain visibility into sought-after roles and unique projects. Individuals can be matched with relevant opportunities based on verified skills, proven expertise, and competency data as opposed to subjective criteria such as "likeability," "cultural fit," and opening doors for "who you know." And, talent pools can be better accessed and assembled in a way that allows for more diverse teams. Companies, in turn, stand to achieve more equitable outcomes by promoting diversity throughout the talent access and deployment process, for all roles and at all levels.

### ENABLING WORKERS TO DEVELOP AND INVEST IN THEIR CAREERS

*Enablement: "helping workers overcome both external and self-imposed limitations to their careers."*

Internal talent marketplaces empower the workforce with agency and choice. They can use skills as the foundation of their talent process to create a fair and objective mechanism that guides both individual development and organizational talent management. For example, AI matching of opportunities aligned to skills enables self-directed learning and development through an automatic feed of on-the-job experiences and recommendations for possible mentors. Thus, skills become the "currency" of the marketplace with workers from all identity groups incentivized to invest in themselves based on access to information of where the skills they have or can build will take them.

AI can break workers out of unconscious bias silos and give resources to pursue cross-functional development, chart personalized learning strategies that build competencies, and make personalized career recommendations aligned to goals.

Given the data that talent marketplaces generate, organizations can quantify learning and development program effectiveness across a diverse and distributed workforce to understand each individual's strengths / weaknesses based on work outcomes, certifications, verified skills, and other quantitative information.

### DISRUPTING TRADITIONAL APPROACHES TO CAREER ADVANCEMENT

*Advancement: "the orchestration of experiences, capabilities, and achievements that position individuals to advance in their career path."*

Deloitte's research shows that mitigating bias in performance management requires a fact-based approach. However, existing internal referral and pre-selection programs, performance management processes, and workforce planning initiatives don't always provide sufficient data. Therefore, current processes which may unconsciously marginalize under-represented Black, Indigenous, and People of Color (BIPOC) workers, women leaders, and other groups need a new approach to orchestrate *advancement.*

Organizations can use the talent marketplace data and analytics to better harness diversity in teaming strategies and enabling broad opportunities for mobility to promote more equitable outcomes. They can provide better visibility into an organization's workforce composition and can support upskilling, reskilling, and predictive ways of developing careers. Forecasting development needs to reinforce employee value, potential, and impact in a way that can align with performance management, compensation and benefits, succession planning, and other *advancement* opportunities.

## INTENTION: WORKFORCE EQUITY

Internal talent marketplaces are uniquely positioned to advance workforce equity by enabling the transformation of the key talent processes and practices through dynamic AI data-based solutions. This new paradigm opens doors for all workers to access opportunities, enable careers, and advance, creating benefits for individuals, the organization, and society at large.

Setting the purpose around workforce equity is a powerful starting point; to fully realize it, HR leaders need to modify the other key elements (Plan, Program, and Platform) in order to drive the necessary change and effectively implement technology solutions capable of achieving these outcomes. For more on this topic, read our Deloitte Insights article to learn more about *Activating the Internal Talent Marketplace.*

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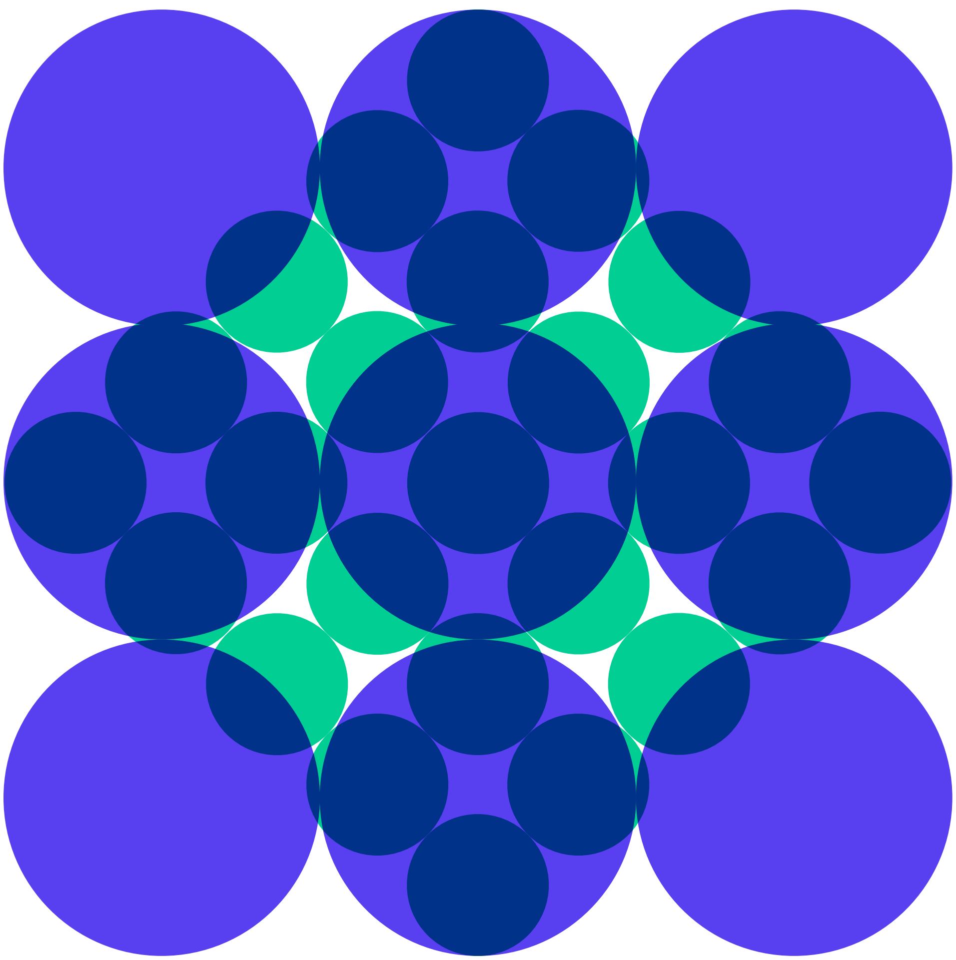
Industrial and Commercial Training 2016

# How Diverse is Your Pipeline? Developing the Talent Pipeline for Women and Black and Ethnic Minority Employees

**CAROL STEWART**



## ABSTRACT

**Purpose** – Research shows that companies with a diverse leadership perform better financially. Having a diverse board encourages constructive and challenging dialogue which is key to the effective functioning of any board. However, in the UK, women and black and minority ethnic (BAME) employees still lag behind when it comes to representation at senior management and board level. The purpose of this paper is to highlight the importance of having a diverse talent pipeline of women and BAMEs and offer practical solutions on how this can be achieved.

**Design/methodology/approach** – A mixture of data, analysis, experience and practice forms the basis of the paper, drawing from research on diversity, leadership development, executive boards and developing the talent pipeline. It looks at current initiatives being used in organisations to develop aspiring leaders.

**Findings** – Executive boards are ill representative of the diversity of the working population. Having diversity in the boardroom allows for rich dialogue and better business decisions. In order to address the issue, organisations need to develop a talent pipeline that includes women and BAMEs. There are practical solutions that can be applied to achieve this. Not only does this make good business sense from an economical perspective, it also helps to maintain empowered, motivated and engaged employees.

**Originality/value** – This paper outlines initiatives that organisations can apply to develop the talent pipeline for women and BAME employees and in doing so, retain high performing, aspiring leaders, whilst supporting action to increase diversity and inclusion in the boardroom.

**Keywords** Women, Diversity, Inclusion, Leadership, BAME, Pipeline

**Paper type** General review

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An update by the Financial Reporting Council (FRC) of the UK Corporate Governance Code (the Code) in September 2014, states under “Other Issues”:

*[...] The FRC has also highlighted the importance of the board’s role in establishing the ‘tone from the top’ of the company in terms of its culture and values. The directors should lead by example in order to encourage good behaviours throughout the organisation.*

*In addition the FRC has emphasised that key to the effective functioning of any board is a dialogue which is both constructive and challenging. One of the ways in which such debate can be encouraged is through having sufficient diversity on the board, including gender and race [...]* (*Financial Reporting Council, 2014*).

Research by McKinsey and Company finds that companies with diverse leadership perform better financially (Hunt et al., 2015). However, sufficient diversity on boards in the UK still remains very much an issue. Although the UK achieved its target of 25 per cent of women on boards by 2015 (Savage, 2015), considering the percentage of women in employment is 67 per cent (Department for Work and Pensions, 2014), having only 25 per cent of women on boards is not a good representation of the number of women in employment.

When it comes to black and minority ethnic (BAMEs), although they make up 12.4 per cent of the UK working population, they only make up 5 per cent of senior managers, and the gap of BAMEs in management and non management roles has widened from 1.1 per cent in 2006 to 4 per cent in 2013 (Wyatt and Sylvester, 2015).

If UK boards are to comply with the Code issued by the FRC and are also reflective of the people that work for them and the communities they serve, there needs to be a pipeline of talented, diverse individuals who are able to rise up and fill board positions.

There are a number of initiatives that organisations can take to develop the talent pipeline and to make sure that they are affording opportunities for women and BAMEs to develop their leadership skills.

## UNCONSCIOUS BIAS TRAINING

Providing unconscious bias training for those involved in the recruitment, selection, development and promotion processes helps raise awareness of subconscious preconceptions so that bias does not affect their decision making.

Unconscious bias training was given to 8,500 global leaders at Barclays which promoted a greater awareness of inclusive leadership and of reducing unintended bias in all aspects of talent management and assessment (Barclays PLC, 2014).

Incorporating in to the training, an awareness of the ways in which cultural difference can feed in to unconscious bias, can help remove the barriers that prevent an understanding of different cultures and the issues that women and BAMEs face.

Various measures can be taken to address unconscious bias in the recruitment process, in addition to training. There is an increase in employers doing blind recruitment, whereby CVs are sifted without personal details included. Blind interviews can also be done where the interviewing panel does not see the interviewee. However, whilst this helps with reducing bias against BAMEs, it is less effective for women due to the male and female voice being so distinguishable (Bhandal, 2015).

## MENTORING

Advice and support from someone who has already walked the walk, enables aspiring employees to learn how they too can manoeuvre the climb up the corporate ladder.

The mentor is able to share with the mentee their experience and guide them so that they can avoid some of the pitfalls that they may otherwise encounter doing it on their own.

A mentor can help to demystify the process for the mentee and by doing so help the mentee increase their confidence. The mentor can help the mentee identify the skills they have for the role, skills they need to develop and skills they need to gain.

Mentoring can be done by way of formal or informal programmers.

## SPONSORSHIP

Sponsorship involves an influential senior person using their influence with senior executives and becoming an advocate for an aspiring high-performing employee (Ibarra et al., 2010). Sponsorship goes beyond mentoring in that the sponsor is able to open doors and is more likely to be aware of opportunities for the employee, opportunities that the employee may not have otherwise had privy to.

A sponsor can "blow the trumpet" for the aspiring leader, putting them in touch with valuable contacts that can help and advise them with their career progression.

> "Various measures can be taken to address unconscious bias in the recruitment process."

In order for a sponsorship programme to be effective, it needs to pay more than lip service and there needs to be clearly stated objectives. A sponsor is not just someone of seniority, but someone of significant influence who is able to pull the person being sponsored up the ladder behind them.

## COACHING

Fear, lack of confidence, imposter syndrome are often why women and BAMEs do not proactively take action to push themselves forward to secure senior roles. A lack of role models that look like them in those senior roles can also be discouraging. They may have the required skills and knowledge but without the confidence and the courage to pursue senior positions, they will constantly get overlooked.

Coaching can help them to identify their self-limiting beliefs and other obstacles and develop techniques to overcome them. It can help them to find their authentic leadership style and help high-performing individuals develop their leadership potential.

Coaching will help aspiring leaders create a clear career development plan that sets out what they need to do in order to achieve senior positions.

### LEADERSHIP TRAINING

A different skill set is required for senior management roles than that of first line manager and from that of senior manager to that of an executive role. Although someone stepping in to a first line management role may have very good technical skills, it does not mean that they will have developed the required leadership skills for more senior roles, likewise with a senior manager who aspires to an executive role.

In order to retain good talent, providing leadership development training enables aspiring leaders to learn how to develop and strengthen their leadership skills. This is particularly so when it comes to soft skills such as emotional intelligence, communication, managing and motivating others, planning and organising amongst others.

Providing leadership development training at different stages of the pipeline is a good investment for organisations wanting to develop a talent pipeline of empowered and motivated employees. Not doing so can be costly to an organisation and research shows that ineffective management costs UK businesses an estimated £19 billion per year in lost working hours (Department for Business Innovation and Skills, 2012).

### CREATING OPPORTUNITIES

Providing experiential opportunities for aspiring women and BAME leaders gives them an insight and awareness of what the roles entail. Ways that this can be achieved include providing job shadowing opportunities, delegating projects they can lead on, networking and secondments.

Shadowing someone in a senior role, gives an aspiring leader firsthand insight in to the demands of the leadership roles they are aiming for. It aids in their professional and personal development as they are able to see the required skills in action.

Delegating small projects to aspiring leaders provides an opportunity to take on extra responsibilities and for them to demonstrate that they have the skills to carry it out.

> "[...] providing leadership development training enables aspiring leaders to learn how to develop and strengthen their leadership skills."

## EMPLOYEE NETWORKS

Developing employee networks promotes inclusivity, embraces diversity and provides support for minority groups and for groups of employees who face similar challenges.

Employee networks for women and BAMEs can provide targeted support for the issues and challenges that these groups experience.

These networks provide developmental opportunities as members can become involved in the running of the groups by becoming part of the committee and getting involved in the planning and organising of events and activities. They also provide opportunities for networking and dialogue with senior colleagues, as well as colleagues in different parts of the business.

## FLEXIBLE WORKING PATTERNS

Women are still very much the main carers both for children and for elderly parents. Offering flexible working patterns means that they can manage their caring responsibilities and their work.

Gone are the days when people had to solely work from the office from 9 to 5 Monday to Friday. Technology enables flexible working locations. Consideration should also be given to the times meetings are held so that they are not always held at the beginning or end of the day, for example, conflicting with the time the school run needs to be done.

## HELPING INDIVIDUALS TO HELP THEMSELVES

Whilst organisations should provide developmental opportunities if they are to retain their high-performing employees, individuals also need to take responsibility for their own professional development and should be encouraged to do so.

By creating their own career development plans, individuals can develop their career path, setting out the steps they need to take to move up the pipeline and to identify the support that they will need along the way.

## AN EXAMPLE OF GOOD PRACTICE

The Royal Bank of Scotland (RBS) Group is an example of an organisation that is proactively developing the talent pipeline for its women and BAME employees.

As part of their work to make RBS the number one bank for customer service, trust and advocacy, they are making sure that they develop, retain and attract the best of their talent. They acknowledge that diverse management teams make better business decisions and have established a number of employee led networks to represent the diverse groups within the organisation.

### FOCUSED WOMEN'S NETWORK

The Focused Women's Network was launched by RBS in March 2007 to support RBS in actively attracting, retaining and developing talented female members of staff. The network supports the development and career advancement of all RBS employees by giving them further opportunities to network internally and externally, to get involved in activities that will enable them to excel and challenge themselves, and to gain access to additional personal development. The mission of the network is to:

- provide employees with numerous opportunities for personal development;
- develop a diverse workforce, resulting in a more successful and sustainable business;
- to be a voice of change and influence the culture at RBS;
- enhance RBS' reputation as an employer with strong representation of female role models, where female talent is developed and retained;
- increase collaboration amongst colleagues and create new business opportunities through networking;
- influence the behaviour of leaders; and
- give back to the local community and contribute to RBS' corporate social responsibility principles.

The Focused Women's Network is recognised across the UK as a leading network and is frequently called upon by other organisations for speaking engagements.

Starting in London in 2007, the network now spans across the globe. In 2014 they delivered personal development workshops, programmes and online training, a wide range of networking events as well as inviting inspirational speakers to speak to its members (RBS Focused Women, 2014).

RBS introduced unconscious bias training to all employees in 2014 and introduced gender targets to get more women in senior leadership roles. For the eighth consecutive year, they have been recognised as a Times Top 50 employer for women (Royal Bank of Scotland, 2014).

## THE MULTI-CULTURAL NETWORK

A more recent addition to the RBS employee led networks is the Multi Cultural Network. Formed in 2013, the Multi Cultural Network's aim is to support the variety of cultures within RBS (as well as in their communities). By proactively supporting the recruitment, development and retention of skilled employees from all backgrounds, RBS supports the diversity amongst their employees through facilitated events and initiatives. The network harnesses the diversity evident amongst RBS employees; working together, celebrating differences.

In 2014 RBS was benchmarked as a Top 10 private sector organisation for race (Business in the Community, 2014).

## CONCLUSION

It is more cost effective to develop talent from within an organisation than to bring external recruits in (Bidwell, 2011). They understand the culture of the organisation and the company values. Having a clear career path and being supported with their development helps with employee motivation and engagement.

If organisations are to be diverse in their leadership and be representative of the people that work for them and the communities they serve, they need to develop the talent pipeline for women and BAMEs and increase representation in the boardroom.

Developmental support creates engaged, motivated, loyal and committed employees and rewards high potential, aspirational individuals with the career opportunities that they seek. Look after your employees and they will look after you.

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## FURTHER READING

12. **Tensions in Talent Identification: A Multi-Stakeholder Perspective**
    McDonnell et al., International Journal of Human Resource Management, 2021

13. **Talent Identification and Location: A Configurational Approach to Talent Pools**
    De La Calle-Duran et al., Intangible Capital, 2021

International Journal
of Human Resource Management 2023

# Tensions in Talent Identification: A Multi-Stakeholder Perspective

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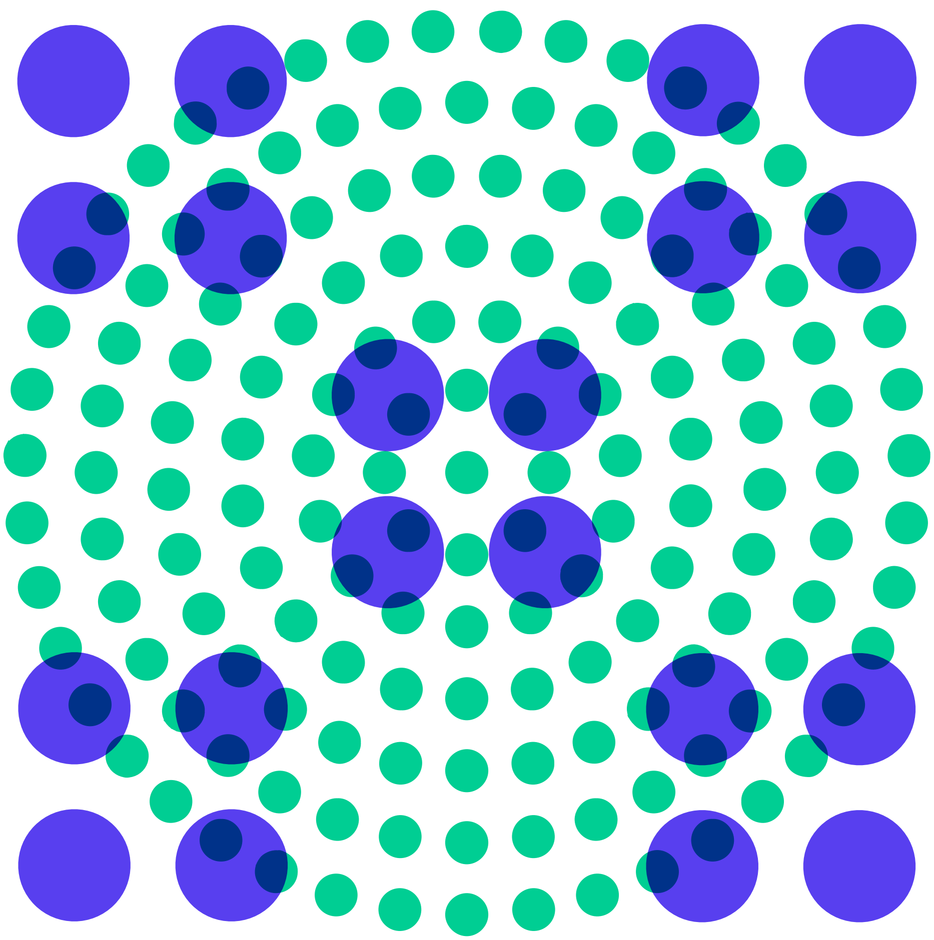
**STEFAN JOOSS | HUGH SCULLION**



## ABSTRACT

Research on how organisations identify talent in practice remains limited. Too often it appears that the most core construct – talent – is taken for granted in terms of how key stakeholders make sense of and give meaning to it in practice. This paper examines the talent definitions held by multiple organizational stakeholders and the criteria used in the practice of identification. Drawing from content analysis of over 200 interviews, our findings demonstrate substantial discrepancies between senior leaders' and talents' view on the meaning of talent within organisations. Moreover, there was little awareness of the identification criteria used by decision-makers that gives individuals the talent designation. Given the potential impact of this designation on employee attitudes, behaviours, and performance, the seemingly limited relationship between the meaning ascribed to talent and the identification criteria used in practice is likely to raise concerns about fairness and transparency. The findings indicate the absence of a shared and well-defined talent philosophy which we suggest is needed to guide talent management practices.

## INTRODUCTION

Organisations continue to report that they face recurring talent challenges with the development of a sustainable talent pipeline remaining a strategic priority (Cappelli & Keller, 2014; Collings, Mellahi, & Cascio, 2019). These challenges appear to be especially acute in emerging economies such as Poland which have tended to see some of the strongest economic and organisational growth rates and an especially pervasive talent supply-demand gap (Cooke, Wood, Wang, & Veen, 2019; Skuza, McDonnell, & Scullion, 2019; Vaiman, Scullion, & Collings, 2012). While talent management represents a burgeoning area of academic research (Collings et al., 2019; McDonnell & Wiblen, 2021), surprisingly little empirical attention has been placed on the definition of talent (Jooss, McDonnell, Burbach, & Vaiman, 2019). The seeming ignorance of its importance is highlighted in Gallardo-Gallardo and Thunnissen's (2016) review which identified a mere 16 per cent of scholarly papers on talent management had specified how talent was defined. Given the reality that talent is a socially constructed idea meaning that there is no standardised, obvious, and shared meaning likely to be evident (Wiblen & McDonnell, 2020) the lack of clarity is highly problematic. For example, the lack of a clear understanding of what talent is or means will limit insights into the nature of talent management and raises serious questions over the utility of research findings. In practice, the failure by organisations to understand what they mean by talent and how to best identify it can have major implications for the inclusion of individuals in the talent pool, and their development and management, alongside the possible implications for those that fail to gain this designation.

While seeking a singular definition of talent may be counterproductive (Collings et al., 2019) understanding the meaning of talent and what talent encompasses within organisational boundaries is important. Where more exclusive talent management approaches are adopted, employees must be able to understand both what it takes to be designated talent and the explicit requirements of talent pool membership; equally managers should be able to justify their approach to identifying talent (Björkman, Ehrnrooth, Mäkelä, Smale, & Sumelius, 2013; Gelens, Hofmans, Dries, & Pepermans, 2014). In contrast, strategic ambiguity and a lack of transparency and clarity around talent decisions, which involves workforce differentiation, may lead to employees negatively perceiving organizational justice when it comes to promotional decisions and career development (Gelens, Dries, Hofmans, & Pepermans, 2013; Rofcanin et al., 2019), leading to adverse individual reactions (De Boeck, Meyers, & Dries, 2018). There are increasing calls of the need to go beyond making talent status explicit to employees but to clarify how one gets identified (Sumelius, Smale & Yamao, 2020). The extent to which this occurs in practice remains unclear.

With these issues to the fore, this paper sets out to examine the practice of talent identification from two perspectives. First, we unpack the meaning of talent or the definitions held by key internal stakeholders. Referring to the 'the fundamental assumptions and beliefs about the nature, value, and instrumentality of talent that are held by a firm's key decision makers' (Meyers & van Woerkom, 2014, p.192), the underlying beliefs of what talent means can be expected to significantly influence the subsequent talent identification and management practices that are enacted (Meyers, van Woerkom, Paauwe, & Dries, 2020). Second, we examine the degree to which talent meanings are aligned with talent identification criteria in practice. In considering both aspects, we explore the consistency or divergence amongst internal stakeholders centrally involved in talent management.

The contributions of the paper are threefold. First, we add to the body of knowledge on talent management by providing empirical evidence on meaning of talent and the talent identification criteria within an organisational context. While some influential conceptual papers on the topic were published over the last decade (e.g., Dries, 2013; Gallardo-Gallardo, Dries, & González-Cruz, 2013; Nijs, Gallardo-Gallardo, Dries, & Sels, 2014), empirical studies are heavily focused on the management of talent post identification and neglect the fundamental question: 'who is considered talented and why' (Gallardo-Gallardo et al., 2013, p.290). If there is a lack of shared understanding between organisational stakeholders on the meaning of talent, and how talent decisions are made raises legitimate concern on the validity of published research which fails to identify to whom or what talent refers to within a study. This is because 'informed understandings of what talent means (definitions) and is (defining characteristics) are the baselines for talent management practices' (McDonnell & Wiblen, 2021, p.46). In addition, our findings point to the need for more nuanced conceptions of talent which can incorporate multiple factors into how an organisation evaluates individuals.

Second, this is a literature that has placed little attention on the experiences and perspectives of individual talents. The senior managerial respondent has been most dominant despite scholars increasingly recognising and calling for research designs that incorporate a wider set of informants to balance organisational and individual perspectives (Farndale, Pai, Sparrow, & Scullion, 2014; Thunnissen & Gallardo-Gallardo, 2019). In so doing, we are able to contribute to understanding the intended, actual, and perceived perspectives of talent meaning and identification practice through our multi-participant approach which enables potential tensions to be highlighted (McDonnell, Collings, Mellahi, & Schuler, 2017; Thunnissen & Gallardo-Gallardo, 2019). This study draws on interview data from 206 respondents (e.g. senior HR, senior management, functional managers and individual talents) and applies content analysis to highlight similarities and discrepancies among these stakeholders.

Finally, our study helps to redress the relative dearth of research on the emerging economies of Central and Eastern Europe (CEE) (Skuza, Scullion, & McDonnell, 2013; Vaiman & Holden, 2011). While scholars have increasingly identified the need to broaden the talent management discourse from developed Western markets to emerging economies (e.g., Cooke, 2017; Vaiman, Sparrow, Schuler, & Collings, 2019), the focus remains on the large BRIC emerging markets, particularly Brazil (Ahammad, Glaister, Sarala, & Glaister, 2018; Ambrosius, 2018), China (Cui, Khan, & Tarba, 2018), and India (Nayak, Bhatnagar, & Budhwar, 2018). Recent research highlights the rapid political, economic, and social transformation of CEE countries such as Poland (Purta et al., 2020; Skuza et al., 2019), and suggests that perspectives of talent and talent practices in the CEE region may not conform with the Anglo-Saxon models (Vaiman & Holden, 2011). Businesses in such volatile market contexts are faced with significantly different challenges in the transformation process (e.g., radical strategic and organisational changes) compared to those in developed economies (Cooke, 2017) and cultural differences potentially have a significant impact on the practice of talent management and how talent is conceived. For example, the literature still tends to have a strong individualistic, Anglo-Saxon focus (Dundon & Rafferty, 2018) which is seen as problematic in contexts with strong collectivist cultures (Björkman, Ehrnrooth, Mäkelä, Smale, & Sumelius, 2017). Similarly, workforce differentiation is less acceptable in regions with more egalitarian cultures such as Scandinavia (Björkman et al., 2017) which influences who is defined as talent. Our paper therefore responds to the call for research on how talent is interpreted in different contexts (Thunnissen & van Arensbergen, 2015).

## THE TALENT FACTOR

In the early seminal review article on talent management, Lewis and Heckman (2006, p.141) suggest that in many firms, talent was essentially an all-inclusive term, a 'euphemism for people'. However, most researchers now adopt a more exclusive view on talent. For example, Stahl et al. (2007, p.4) define talent as 'a select group of employees – those that rank at the top in terms of capability and performance – rather than the entire workforce.' In essence, 'talent management asserts that specific individuals or groups are of greater value by way of their contribution to the strategic objectives' (McDonnell & Wiblen, 2021, p.32). This often sees the term associated with the possession of specific skills and capabilities, specific individuals, and/or pivotal positions.

In evaluating the literature, the talent concept appears to be one best classified as being dynamic given how understandings are relatively malleable and have changed over time. To develop a more nuanced understanding of 'talent', several papers have reviewed the term from diverse disciplinary perspectives. This has led to the development of several approaches seeking to clarify the meaning of talent at work (see Gallardo-Gallardo et al., 2013; Meyers, van Woerkom, & Dries, 2013; Meyers et al., 2020; Nijs et al., 2014). For example, from the psychology perspective, Dries (2013) identified six ways to operationalise talent; as capital, individual difference, giftedness, identity, strength, and the perception of being talent. Displaying some similarities with this operationalisation, Gallardo Gallardo et al. (2013) conceptualised talent in the organisational setting using a subject (talent as people) or object (talent as characteristics of people) approach. Our paper draws on this conceptualisation and seeks to build on the insights it provides on the meaning and identification of talent in a non-Western setting.

### Object approach

The object approach encompasses four categories: talent as an innate ability, talent as mastery, talent as commitment, and talent as fit. Innate abilities refer to inborn or 'gifted' unique abilities that lead to superior performance and are often visible at an early age, while talent as mastery highlights the need for systematic development of competencies over time, and thus places significantly more importance on a strong learning and development function in organisations to facilitate this growth (Meyers et al., 2013). *Talent as commitment* refers to the perseverance and discretionary effort to one's work and a strong interest in continuing in one's role and organisation, thus representing a negative predictor of turnover (Gallardo-Gallardo et al., 2013). *Talent as fit* considers the context of an employee's work with a key focus on the right person at the right time in the right place; this approach provides key consideration of context including alignment to the organisational culture, strategic priorities, and operating environment (Gallardo-Gallardo, Thunnissen, & Scullion, 2020). Within this, there is credence given to the development of talent pools and the identification of pivotal positions (Cascio & Boudreau, 2016; Collings & Mellahi, 2009).

### Subject approach

The subject approach is broken down into two categories: an inclusive perspective considering all employees as talents and an exclusive perspective that typically refers to high performers and/or high potentials. In practice, a differentiated HR architecture (Becker & Huselid, 2006; Collings & Mellahi, 2009) may be in place allowing the development and growth of all employees (inclusive), while at the same time investing in specific competencies and roles for strategic impact (exclusive). An inclusive approach argues that all employees have the potential to contribute to the organisation if the required development, support, and opportunities are provided (Swailes, Downs, & Orr, 2014). The inclusive approach is more prevalent in organisations with more egalitarian organisational cultures such as small and medium-sized enterprises (SMEs) and voluntary organisations (Festing, Schäfer, & Scullion, 2013; Krishnan & Scullion, 2017). The definition of talent in these organisations is distinctive and reflects the characteristics of SMEs and the egalitarian culture which emphasises aspects such as teamwork, flexibility, co-operative working, and willingness to do more than one job (Krishnan & Scullion, 2017; Valverde, Scullion, & Ryan, 2013). In contrast, the more focused investment of resources in key employees, i.e., a subset of a firm's population, is often viewed as a more core element of an exclusive approach to talent management in larger organisations which is based on the notion of segmentation and reflects the shift in HR from standardised to differential practices (Becker & Huselid, 2006; Boudreau & Ramstad, 2007).

In a differentiated approach the identification of high performers, i.e., those with above-average quantity and quality of outputs (Aguinis & O'Boyle, 2014; O'Boyle & Kroska, 2017), and/or high potentials is a key activity for senior managers and HR (Finkelstein, Costanza, & Goodwin, 2018; Silzer & Church, 2009), and the management of employees varies relative to their potential contribution to competitive advantage (Collings, 2017). However, while there has been no shortage of models of 'high potential' in the literature published (e.g., Dries & Pepermans, 2012; Hogan, Curphy, & Hogan, 1994; Lombardo & Eichinger, 2000; Silzer & Church, 2009; Spreitzer, McCall, & Mahoney, 1997), no consensus exists around its defining characteristics and measurement. For example, Dries and Pepermans (2012) refer to analytical skills, learning agility, drive, and emergent leadership as key components, while Silzer and Dowell (2009) present a three-dimensional model including foundational (cognition, personality), career (knowledge, leadership, performance), and growth (motivation and ability to learn) aspects. Moreover, in practice, performance and potential are oftentimes conflated (Jooss, McDonnell, & Burbach, 2019).

### A stakeholder perspective

Applying a stakeholder perspective provides further insights into the complex task of constructing talent meaning and identifying talent within an organisation. In a talent system, key internal stakeholders include the senior leadership team, line managers, HR professionals, and individual employees, all who will have some involvement, whether directly or more implicitly, in determining the organisation's talent construction (Schuler, Jackson, & Tarique, 2011). External influences on talent management may be trade unions, HR professional bodies, customers, technology vendors, consultants, and academics (Wiblen & McDonnell, 2020). The widespread implicit assumption in current research appears to be of a shared meaning of talent within organisational context (Thunnissen & Gallardo-Gallardo, 2019). This has been highlighted as problematic due to its socially constructed nature (Wiblen & McDonnell, 2020). Moreover, the perceptions and prototypes of individual stakeholders can have a significant impact on the identification of talent, i.e. when an individual matches one's prototype, they are more likely to be viewed as talent (Epitropaki, Sy, Martin, Tram-Quon, & Topakas, 2013; Finkelstein et al., 2018).

How different stakeholders talk about talent will shape the reality of how this is given meaning and then operationalised in the form of talent identification practices. Even where an organisation possesses a talent philosophy or sets out a talent framework that incorporates definitions and practices, the intended approach may not always translate into reality (Björkman et al., 2017; Fu, Flood, Rousseau, & Morris, 2018). While similar terminology might be used, it does not necessarily transfer to everyone having the same view on what that means and what a talented employee may 'look like'; in other words, the defining characteristics (McDonnell & Wiblen, 2021; Jooss et al., 2019). Ultimately, 'talent discourses cannot be removed from the context in which they operate' (Wiblen & McDonnell, 2020, p.477). As pluralistic considerations are critical to understand the complexity of the talent management phenomenon, it should not be the intention to reconcile divergent perspectives but what is necessary is specifying what talent means in context (Gallardo-Gallardo & Thunnissen, 2016; Thunnissen & Gallardo-Gallardo, 2019).

## METHODOLOGY

This study adopted a qualitative research design given the socially constructed nature the talent concept takes (Wiblen & McDonnell, 2020) and our key aim being to increase our understanding of how talent is interpreted and identified, and to assess the level of consistency, or lack thereof, amongst relevant internal stakeholders. Organisations were recruited from a published list encompassing the 2,000 largest companies in Poland ('Rzeczpospolita 2000'). We excluded small and public organisations as talent management programmes and processes are more likely to be found in larger and private organisations (Krishnan & Scullion, 2017). By removing these we were left with 1,799 organisations which were contacted via phone and/or email. Out of the 253 organisations that had a talent management programme or process, 45 expressed an initial interest in the study. The overarching reason for organisations not wanting to participate was due to the nature of our multi-respondent study which required views and perceptions from individual talents. Further, we were only interested in organisations who had an established programme or process in place, and therefore we excluded those running for less than two years. Most organisations had a programme or process for 4-5 years (31%) with some up to ten years (7%). This resulted in a final sample of 34 organisations (73% foreign owned; 27% Polish owned).

A total of 206 semi-structured interviews were conducted across these 34 organisations incorporating 34 interviews with HR leaders (e.g., HR directors, HR managers), 70 interviews with managers (e.g., general managers, functional directors), and 102 interviews with talents (e.g., team leaders, specialists, professionals). Initially, HR leaders were contacted in each firm who then nominated other managers and talents. Given our approach it is important that we recognise the potential limitation of selection bias. Each manager needed to participate actively in the programme (i.e. had nominated talent within the past year) and each talent needed to have been in the programme for a year. Where multiple talents were interviewed in one firm, each talent was from a different department or function. An overview of the sample characteristics can be found in *Table 1.*

The interviews were conducted in Polish by one member of the bilingual research team in the period 2013 to 2015. For anonymity reasons, we use the

**Sample characteristics** *Table 1*

| | % | | % |
|---|---|---|---|
| **Gender** | | **Education level** | |
| Male | 52 | Higher education | 100 |
| Female | 48 | | |
| **Age group** | | **Ownership type** | |
| < 35 years | 16 | Foreign | 73 |
| 35-49 years | 55 | Domestic | 27 |
| 50+ years | 29 | | |
| **Position** | | **Industry** | |
| HR leaders | 16 | Manufacturing | 39 |
| Managers | 34 | Services | 37 |
| Talents | 50 | Retail | 24 |
| **N=206** | | | |

following aliases: type of stakeholder (HR leader, manager, talent), company (C1-C34), sector (e.g., automotive, retail, finance). The research team developed an interview template that guided the questioning by offering some degree of structure to ensure the overall research questions underpinning the project were addressed. Questions included, among others: how is talent defined in the organisation, what factors influence the likelihood of an individual being labelled as talent in the organisation, and does the organisation focus on a subgroup of employees, or does it review talent more generally? Interviews were recorded and transcribed into Polish before being translated into English for analysis. Interviews lasted between one and two hours and took place on a face-to-face basis or in a small number of cases through videoconferencing.

We adopted a content analysis approach to identify the commonality of perspectives of talent along with understanding the criteria applied in the practice of identification across interviewees and organisations. This approach enabled us to quantify and assess the presence, meanings and relationships of talent categories that the conceptually focused literature has highlighted. We used NVivo software to assist us in the analysis. Following Krippendorff's (2018) framework for qualitative content analysis, we selected texts relevant to our research questions, and constructed categories aligned with the existing literature, thus fitting theoretical considerations. Specifically, we coded against Gallardo-Gallardo et al.'s (2013) six approaches to talent to answer what key internal stakeholders associate with the meaning of talent (*Table 2* provides indicative quotes for each factor). Given our analysis intimated strong use of the terms higher performance and potential we decided to utilise Silzer and Church's (2009) approach in aggregating the core components of potential (see *Table 4*). To understand how key internal stakeholders identify talent in practice, we examined the data for more nuanced patterns and revised the coding frame as part of which we have developed first and second order codes for the various dimensions of talent. Both a member of the research team and a research assistant analysed the transcripts to ensure inter-rater reliability. As a final step in adding to the rigour of our analysis we performed a series of chi-square tests of association to statistically ascertain the presence of important differences between stakeholders' perspectives.

## FINDINGS

### The meaning of talent

As illustrated in Table 2, the findings evidence all six approaches as proposed by Gallardo- Gallardo et al. (2013) in how talent was defined by organisational stakeholders. There was however some considerable variation in respect to the regularity by which interviewees spoke about how they viewed the definition of talent in organisational context. The most cited meaning ascribed to talent was *high potential* (50%), *extraordinary competencies/skills* (48%), and *commitment* (41%), followed by talent as fit (24%).

## Definitions of talent by stakeholder

*Table 2*

| | % | | | | | |
|---|---|---|---|---|---|---|
| | **Everyone** N = 206 | **HR leaders** N = 34 | **Managers** N = 70 | **Talents** N = 102 | **$X^2$** (df = 2, N = 206) | **p-value** |
| **Subject perspective** | | | | | | |
| *Inclusive* | | | | | | |
| Talent as all employees ('everybody has some talent, organisation needs to develop individual strengths') | 6 | 13 | 0 | 7 | 7.19 | 0.02 |
| *Exclusive* | | | | | | |
| High potential ('individual that has potential to grow') | 50 | 80 | 50 | 39 | 16.49 | <0.001 |
| High performers ('person with above-average results') | 16 | 8 | 10 | 22 | 5.63 | 0.06 |
| **Object perspective** | | | | | | |
| Talent as mastery ('somebody with extraordinary competencies/skills') | 48 | 41 | 40 | 56 | 4.97 | 0.16 |
| Talent as commitment ('commits more than others') | 41 | 60 | 47 | 30 | 10.31 | 0.01 |
| Talent as fit ('right person in the right place at the right time and aligned with culture') | 24 | 50 | 27 | 12 | 30.64 | <0.001 |
| Talent as natural ability ('natural gift that makes person unique') | 5 | 5 | 3 | 7 | 1.34 | 0.51 |

*Note: The quotes in parentheses are indicative of how interviewees defined talent.*

**A chi-square test of association shows whether there are statistically important differences between stakeholders. For example, the proportion of subjects who defined talents as all employees differed by stakeholder group, $X^2$ (df = 2, N = 206) = 7.19, p = 0.02. In other words, HR leaders were more likely to define talents as all employees than other stakeholders*

While not a central focus of the research, we did consider the level of similarity or divergence between foreign and Polish organisations in our analysis which may be expected given the institutional context (Skuza, Scullion & McDonnell, 2013); we only report where substantial differences were evident. Except for talents in Polish firms (46%), *high performance* did not emerge as being particularly important, with only 16 percent of all participants mentioning performance when specifically asked how talent was defined and given meaning within their organisational context. We were somewhat surprised by the limited mention of *high performance* or *high performers* overall when asked to defined talent.

However, as we subsequently highlight, this appeared to be somewhat at odds with the criteria used in making talent decision in practice. Talent as equating to natural ability and talent as *all employees* were reported by a very limited number of participants. This latter finding was perhaps surprising given the Polish context and recent transition away from being a communist state (Skuza, McDonnell & Scullion, 2019). While we found some singular categorisations such as *a person with high potential to learn and advance at a faster pace than his/her peers* (Manager 2, C15, industrial automation), or somebody that shows leadership potential (Talent 2, C12, consumer goods), the overwhelming majority of interviewees unsurprisingly combined several dimensions in the way they defined talent, for example, *a person with high potential, showing above-average skills, aspirations, and a high degree of commitment* (HR Leader, C3, pharmaceutical). In other words, talent was often viewed as straddling more than one of the subject or object approaches (Gallardo-Gallardo et al., 2013).

High potential appeared as an especially central aspect of how organisational stakeholders defined talent. Of note was that when potential was noted there often appeared to be a strong emphasis on potential as an inclusive perspective with the following quotation illustrative: *everybody that has the potential to grow and to take more responsibilities* (Manager 1, C29, food manufacturing). Thus, potential tended not to be defined by many as exclusionary in nature when they first considered how they defined talent. In practice, this provides opportunities for a range of roles within the organisations; for example, *higher positions; junior leader; internal trainer; and expert* (Manager 1, C4, automotive), or at a minimum two directions – *manager or expert* (specialist) (Manager 1, C7, automotive).

However, as we probed interviewees more around how talent decisions were made it became apparent to us that, notwithstanding initial and explicit descriptions of an inclusionary view on potential, in practice it seemed to be a more exclusive perspective dominated. The evidence of potential appeared to be predominately about possessing the ability to be promoted to a higher-level management or leadership position. For example, high potentials *are able to take managerial positions in the future* (Manager 1, C3, pharmaceutical) and are *able to grow the business* (Talent 1, C9, consulting), *rather than being about each individual being able to grow*.

Our findings intimate a sliding scale being in operation in terms of how different stakeholders defined talent (see Table 2); for example, HR leaders were more than twice as likely as individual talents to report talent as meaning high potential. Similarly, a sliding scale in the same order was evident with respect to interviewees defining talent as involving commitment. The perspective of individual talents was strongly premised around the possession of *extraordinary or above-average competencies/skills*. A notable difference amongst stakeholder perspectives emerged around the talent as fit approach with half of the HR leaders placing importance on this approach but only one in ten talents doing so; the bottom line is that he or she must fit our culture (Manager 1, C17, telecommunication) and *talent primarily needs to strongly identify him-/herself with who we are* (HR leader, C14, retail).

### Talent identification in practice

We now turn to looking at how talent identification was practiced and whether this was aligned with the meaning of talent as ascribed by stakeholders. Three core dimensions emerged (see *Table 3*) when interviewees discussed talent identification in practice which included performance, potential, and commitment. Other less frequently mentioned aspects included mobility (readiness to relocate at any time) and formal criteria (e.g., a minimum of 2 years work experience, a minimum of 10 years tenure in firm, language fluency). These aspects appeared more as qualifiers before one may be seriously considered as a talent or not within organisations.

### Criteria used for talent identification decisions

*Table 3*

%

| | Primary factor | | | | Secondary factors | | | |
|---|---|---|---|---|---|---|---|---|
| | **Everyone** N = 206 | **HR leaders** N = 34 | **Managers** N = 70 | **Talents** N = 102 | **Everyone** N = 206 | **HR leaders** N = 34 | **Managers** N = 70 | **Talents** N = 102 |
| Performance | 61 | 56 | 51 | 70 | 9 | 12 | 4 | 16 |
| High potential | 18 | 24 | 23 | 14 | 45 | 47 | 43 | 69 |
| Commit-ment | 13 | 18 | 16 | 10 | 38 | 50 | 80 | 25 |
| Formal criteria | 6 | 0 | 9 | 6 | 1 | 6 | 0 | 0 |
| Mobility | 2 | 3 | 1 | 1 | 7 | 18 | 9 | 7 |
| | $X^2$ (df = 8, N = 206) =10.18, p = 0.25 | | | | $X^2$ (df = 8, N = 206) =48.34, p < 0.001 | | | |

Although high performance and high potential were mentioned by almost the same number of interviewees, the role or impact of these appeared to differ greatly when we explored the talent identification process. There appeared to be something akin to a two-stage process incorporating primary and secondary identification factors across many organisations in terms of how organisations established who their talent was and who to subsequently include within their talent management programme. This process was not necessarily mapped out formally as two, sequential stages but was a more subtle (informal) approach. In essence, when the level of fulfilment of the primary factor was deemed appropriate, organisations tended to proceed to then considering the achievement of several secondary factors. Secondary factors, therefore, only came into consideration once the requirements laid down for the primary factor were fulfilled. Importantly, fulfilling only the primary factor was insufficient as talent decisions were made *based on a combination of criteria and individuals must achieve an acceptable level of each of these criteria* (Manager, C6, tobacco). Otherwise, these individuals are not included in the talent pool (HR leader, C13, pharmaceutical).

The findings intimate that the primary identification factor tended to be an individual's performance which was usually evaluated over a two- to three-year period, though this process differed across organisations. Achieving an appropriate level of performance (typically meaning high performance) was in fact described as mandatory in almost two-thirds of organisations (see *Table 3*). In other words, achievement of the expected performance level was seemingly a necessary and immovable condition to possibly being identified as talent in the organisation.

Yet, there were some interviewees (e.g., Manager 2, C31, consumer products; Manager 2, C19, retail) who suggested that a case could be made for individuals with mediocre performance to be viewed as talent if they had high potential, and that objective reasons could be provided for not achieving high performance. For example, *a person may not perform, because this is not what she/he likes and wants to do. She/he might perform much better in other tasks/departments* (Manager 1, C6, tobacco). Thereby, the use of high performance as a mandatory expectation could on occasion be removed where clear contextual factors were raised as reasoning behind the failure to achieve the expected levels.

We sought to better understand what was encompassed when interviewees spoke about performance. *Table 4* illustrates an aggregated list of components that were commonly encapsulated within this performance dimension of talent. What this depicts is that performance tends to be primarily evaluated based on business goal achievements/results, accompanied by more qualitative components – behaviours and attitudes regarding teamwork, collaboration, motivation of others, and corporate values. Considering the foci of the three types of internal stakeholders, we found that HR leaders (44%) intimated greater focus on role modelling corporate values compared to only four percent of individual talents, thus indicating a substantial gap in perceptions of the importance placed across the business. Overall, performance components were less often reported by the individual talents. Thus, there were indications of a gap between what is intended versus what is perceived to be important. The finding that almost six in ten individuals were unsure about what performance components are used in determining their talent designation further exemplifies limited transparency in how talent is identified.

**Factors used in evaluations of performance and potential.** *Table 4*

| | % | | | | | |
|---|---|---|---|---|---|---|
| | **Everyone** N = 206 | **HR leaders** N = 34 | **Managers** N = 70 | **Talents** N = 102 | **$X^2$** (df = 2, N = 206) | **p-value** |
| **Performance** | | | | | | |
| Key business indicators | 52 | 82 | 76 | 26 | 57.3 | <0.001 |
| Behaviours and attitudes | 25 | 32 | 26 | 22 | 1.64 | 0.44 |
| Personal development goals | 24 | 27 | 21 | 26 | 0.48 | 0.79 |
| Displaying corporate values | 16 | 44 | 21 | 4 | 31.76 | <0.001 |
| Unsure | 29 | 0 | 0 | 59 | – | – |
| **Potential** | | | | | | |
| Motivation and aspirations | 23 | 30 | 31 | 15 | 8.36 | 0.015 |
| Leadership skills | 23 | 32 | 29 | 16 | 6.02 | 0.049 |
| Personality factors | 12 | 16 | 16 | 9 | 2.17 | 0.34 |
| Learning agility | 12 | 13 | 1 | 10 | 5.52 | 0.06 |
| Cognitive abilities | 6 | 9 | 10 | 3 | 3.9 | 0.14 |
| Unsure | 24 | 0 | 0 | 47 | – | – |

In terms of the secondary factors that were utilised within these organisations, high potential (45%) and commitment (38%) were most reported. Commitment tended to be defined through energy, effort, and time committed to tasks and initiatives that go beyond an individual's responsibility, thus carrying connotations of 'going beyond the call of duty.' Notably, commitment was especially highlighted by senior managers and yet considered much less by individual talents. The evaluation of potential was a more difficult and complex task though there was some evidence of it being treated as distinct to evaluations of performance though this was not uniform. The most often cited components of high potential (see Table 4) were regarding motivation and aspirations (23%), and leadership skills (23%). Personality variables and cognitive abilities were less often mentioned, as was learning agility.

What we did establish from our findings was a convergence of viewpoints amongst HR leaders and senior managers, but a significant lack of knowledge amongst individual talents on how high potential was evaluated; almost half of all talents indicated that they did not know what potential entailed in terms of how their organisation made such evaluative judgements. Therefore, there appeared to be some significant degree of disconnect between decision makers and the wider workforce on this.

## Discussion and conclusions

The purpose of this paper was to unpack the talent meanings (definitions) held by organisational stakeholders and to examine the relationship between these and how talent identification occurred in practice (in terms of the specific criteria applied) within 34 organisations in Poland. Our extensive data collection process involved over 200 qualitative interviews with three groups of key organisational stakeholders. The inclusion of talents as one of our participant groups is noteworthy given this perspective has received scant attention in the literature (Daubner-Siva, Ybema, Vinkenburg, & Beech, 2018; King, 2016; McDonnell et al., 2017). It is something of a paradox that despite the talent concept being a conceptual bedrock of talent management, there are few empirical studies that focus on 'who is considered talented and why' (Gallardo-Gallardo et al., 2013, p.290). Moreover, the definition of talent is often implicit and assumed in research studies on talent management. Our findings demonstrate the problematic nature of this given the ambiguity that regularly emerged between key organisational stakeholders on what talent means, along with the limited nature of alignment between one's talent philosophy and the practice of identification. As such, our findings provide empirical support to Thunnissen and Gallardo-Gallardo's (2019) call for researchers to relay what they specifically mean when they use the term 'talent' in any studies. Our paper highlights that there is the need for greater focus on how talent is understood, defined, and identified given this has significant implications for how talents are included in the talent pool and how they are managed in organisations. Given there is much diversity of this in organisations taking the meaning as a given is problematic.

The research uncovered some strong differences between organisational definitions of talent and the actual identification process and its determinants. Our study suggests that *definitions or meanings of talent* go beyond a single perspective which is often typical in the heavily conceptual talent management literature (Gallardo-Gallardo et al., 2013; Meyers et al., 2013; Nijs et al., 2014). While most prominent in the literature, the notion of talent as high potentials raised questions by interviewees whose main concern was: potential for what? Common perspectives in this respect related to the ability to grow into a higher position (often managerial) and to contribute to specific strategic objectives. This focus is understandable given that many organisations prioritised the development of a sustainable pipeline of future leaders. However, we argue that there is a need to take a broader view on what high potential may entail and what is required to develop individuals who have the potential to grow in a functional area and/or are at lower levels in the organisation. In addition, the notion of talent representing individuals who possessed high levels of commitment and had above-average competencies and skills emerged as significant. Notably, in terms of elucidating the meaning of talent with interviewees, high performance did not appear prominent among stakeholders.

However, in strong contrast to when talent meaning and definitions were discussed, performance measures played a prominent role when it came to how talent was *identified in practice*. Notably, there was little discussion of the importance of employee inputs (i.e. mastery of skills). Thus, our study provides further support for the often-cited notion that talent is primarily identified through realised outputs, in other words, performance measures (O'Boyle & Kroska, 2017). A possible explanation of this might be that these are more easily measured and focus on present or past achievements (see Meyers et al., 2013; Silzer & Church, 2009). Focusing on these measures instead of the harder to grasp, and delineate, construct of 'potential' may suit management in providing some limits to difficult conversations when having to justify their promotional decisions or talent investments.

These findings therefore suggest a degree of disconnect between how organisational stakeholders defined talent and the criteria they used in making talent designation decisions. This raises concerns given talent designations are known to impact on how individuals experience or feel about their work (Björkman et al., 2013). A lack of clarity and alignment between the higher order talent philosophies or meanings and the practice of identification may lead to negative outcomes around transparency and perceived fairness of decision-making. On a broader level, our findings intimate the need for more nuanced considerations of the talent identification process. Overall, our data points towards organisational perspectives that are more pluralist and universal in orientation. By this we mean that talent identification appears to be made up of multiple factors and that these often appear to work as a multiplicative equation whereby high scores on one factor (e.g., potential) is insufficient to compensate for lower scores on other factors (e.g., performance) (Ulrich & Smallwood, 2012). However, how this works tends to be more informal than part of a clearly transparent and formal system. Similarly, while some factors are viewed as more relevant to whether an employee is identified as talent or not, the actual influence of all factors in the decision-making process often appeared variable and limited in some cases. In other words, there appears to be a hierarchy of factors which are involved in the identification process suggesting the need for conceptualisation and measurement to be more multi-faceted and highlighting the need to go beyond simplistic dichotomies. For example, while rarely elucidated in terms of wider talent philosophies, high performance appeared to be treated as a fundamental factor that one could not get past. In other words, you may be viewed as possessing exceptional potential but if you are not achieving high performance levels you do not get identified as talent. Also of interest was that the often discussed confound of performance and potential (Dries & Pepermans, 2012) was perhaps less evident than reported in other studies (e.g. Jooss et al., 2019) with organisations trying intentionally to differentiate high potential from high performance. However, the validity of the approaches can certainly be questioned.

In considering both the meanings ascribed to talent and how identification was conducted it emerged that talent management was seen in more exclusive than inclusive terms (Gallardo-Gallardo et al., 2013; Meyers et al., 2020) which may be somewhat surprising in the CEE context of Poland. This is however similar to the recent findings of Tyskbo (2019) in a study of a Swedish public hospital who reported that despite a highly egalitarian and collectivist context, an exclusive approach to talent management was adopted. This is an avenue worthy of further examination in terms of the effectiveness or success of such individualised approaches to managing talent. It reflects the belief in most sample organisations that having better talent at all levels enables outperforming competitors.

Finally, the findings highlight some concerns regarding the absence of shared and transparent understandings between key stakeholders of what it means to be talent and the dimensions or factors used in making talent decisions. While there was largely consistency of terminology defining talent across organisations at senior levels, this was not the case when the perspectives from individual talents were considered. The findings therefore highlight the issue of senior HR and organisational leaders having a particular view of what should happen (intended practice) or what they think is taking place, versus the lived reality of those that are subject to such processes and decisions in talent identification (perceived practice) (Wright & Nishii, 2013). This reinforces the issue endemic in the talent management literature of the failure to clarify what talent means and how talent decisions are made within particular contexts. Indeed, our findings showed that individual talents had considerably less clarity and understanding on how they were identified as talent or the requirements for joining the talent pool. There was a degree of appreciation that their evaluation was based on broader dimensions of performance, potential, and commitment but there was very limited understanding of what exactly was being measured and how they were assessed. When there is no clarity among the 'talent' cohort around those criteria, one may argue that the discrepancies between senior leaders and 'non talents' are likely to be even greater.

On one level, these results are unsurprising given the socially constructed nature of talent which means talent meanings are embedded within specific micro, meso, and macro contexts (Wiblen & McDonnell, 2020; McDonnell & Wiblen, 2021). Ultimately, the dispersion of stakeholders (different levels, functions, locations) does mean that 'talent' is constructed in distinct contexts. In that regard, agency and bounded rationalities (Eisenhardt, 1989) are likely to impact how talent is interpreted and identified. For example, self-interests and goal conflicts between stakeholders may also impact what talent decisions are made and on what basis; which potentially could even lead to marginalisation of some talent (Cappelli & Keller, 2014). These issues will likely be reinforced if clarity and transparency on the approach to defining and identifying talent is not adequate. In other words, the dissemination of information (Mellahi & Collings, 2010) related to talent meaning and talent identification can play an important role in overcoming agency conflicts. Our paper seeks to contribute to debates which explore the influence of multiple competing logics in how HR and talent management practices are understood and enacted in organisations (Grant, Garavan, & Mackie, 2020). We highlight that the implementation of policy can be very different from that reportedly mandated.

The lack of a shared approach in organisations raises concerns over fairness and transparency in decision making (De Boeck et al., 2018). We argue that transparency around talent identification is an ethical issue and a necessary condition to improving perception around procedural and distributive justice amongst employees who are not identified as talents (Dries, 2013; Gelens et al., 2013). This may be accentuated when decisions appear to be subjective particularly where more qualitative components such as behaviours and attitudes are key elements in decision making. Such evidence is inherently subjective and is especially susceptible to a range of biases (Finkelstein et al., 2018; Silzer & Church, 2009). These issues become more problematic when talent management takes on global dimensions (Björkman et al., 2017).

## Implications for practice

On an applied level, we call for organisations to pay closer attention to the extent to which there are shared views on how talent is defined and identified within their own organisational context. This requires organisations to have open discussions around the meaning of talent involving a diverse group of stakeholders (Grant et al., 2020). Once the meaning of talent and criteria to identify talent are established, organisations should ensure communication of this 'talent construct' to the wider workforce. This is important given research indicates positive outcomes can be realised through individuals being aware of their talent status (Sumelius et al., 2020). This will also enable employees to better understand what it takes to be considered 'talent' and the requirements needed to achieve talent pool status and receive the associated benefits and appreciate the obligations to be met.

In addition, organisations need to carefully consider the composition and connotations of their talent construct. For example, talent meanings might have a more exclusive or inclusive connotation. In terms of the composition, organisations need to decide on the weighting of individual dimensions (and accompanying factors) of talent and whether the talent construct consists of a multiplicative equation and/or a hierarchical order. In other words, organisations must consider whether some factors are weighted higher than others, and whether some factors are considered pre-qualifiers or foundational factors of the talent construct. For example, the prevailing tendency to have high performance as a pre-condition to being viewed as talent can be a limitation to talent management practice as failure to achieve high performance may be linked to contextual factors outside the control of an individual. Failure to address these issues may lead to concerns such as bias in the identification process, and a lack of consistency and transparency in decision-making. There is also a need to consider the potential impact that the criteria used have upon the diversity of talent within organisations. Particularly as organisations seek the development of a more diverse talent pipeline, a too narrow list of criteria may be counterproductive in achieving this objective. On the other hand, a too broad list of criteria will hinder a focus on core functional and leadership competencies which are relevant across the wider organisation, which, in turn, can become a barrier to talent sharing across the organisation. Moreover, adding a substantial number of criteria will increase the complexity of the talent construct and might lead to diminishing results in terms of consistent talent identification across levels. While corporate HR leaders might understand such complex talent constructs, middle and line managers might not fully grasp the construct and then make their judgement based on other components. Therefore, organisations need to carefully review the complexity of the talent construct, finding a balance between too simplistic views on talent and too sophisticated measures of talent.

## Limitations and future research avenues

While this paper has provided much needed empirical insights into how talent definitions or meanings are translated (or not) into the practice of identifying talent, we recognise some limitations. While we adopted a considerable data collection approach, we are conscious of claims around the generalisability of our findings. While we incorporated multi-level participants in each case, the extent to which there is consistency or variation amongst internal stakeholders may alter when a larger and more representative sample per organisation is used. Future research could collect large-scale survey data to develop and test hypotheses around how talent is defined, how talent is identified, the degree of consistency between both processes, and the degree of alignment across different organisational stakeholders. This would be useful in obtaining a more complete understanding of whether the intention behind practices from organisational leaders is viewed similarly amongst those in receipt or at the behest of these decisions. We are conscious that firms in the sample engaged in self-selection. This raises a question as to whether those that indicated they were not engaging in talent management based their view on unfamiliarity with the concept and practices; talent management policies may have been applied, but perhaps through a different name. In addition, future research might consider including unions as another stakeholder group, particularly where talent is perceived as an exclusive construct.

Our study was unable to engage with the effectiveness of the approaches used and we were not able to consider how 'non-talents' felt about why they were not identified as talent and what level of understanding they possessed on the reasons for this. While recent papers on talent status (see Sumelius et al., 2020; Wikhamn, Asplund, & Dries, 2021) have discussed the role and impact of 'talent status' awareness on talents or non-talents, we still know relatively little around the awareness of 'talent constructs' among the wider workforce beyond senior HR leaders. In other words, an interesting future research angle would be to consider whether it matters if talent and 'non-talent know' specifically why they are included or excluded in a talent pool. In addition, the commitments expected from those included in the talent pool require further investigation. One positive development is the relatively recent focus on individual talent perspectives to balance the dominant focus on organisational goals and the recognition that effective talent management approaches need to balance organisational and individual goals (Farndale et al., 2014).

In conclusion, this study suggests the need for caution regarding assumptions that stakeholders agree on the meaning of talent and talent identification. Our paper addresses the failure of many studies to set out how talent was portrayed in empirical research (Thunnissen & Gallardo-Gallardo, 2019) and we argue that such an approach limits more informed understandings of how talent management practices are understood and enacted in organisations.

Data availability statement: Due to the nature of this research, participants of this study did not agree for their data to be shared publicly, so supporting data is not available.

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Intangible Capital 2021

# Talent Identification and Location: A Configurational Approach to Talent Pools

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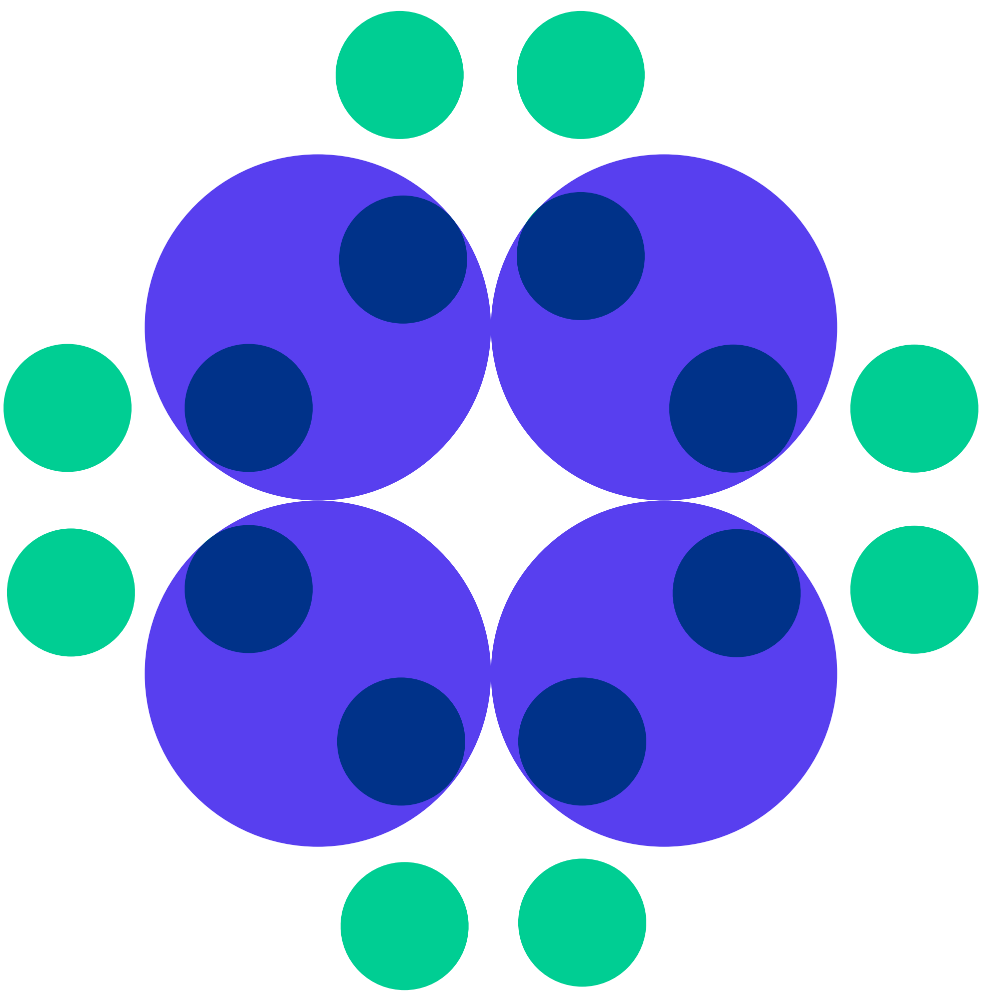


**ABSTRACT**

**Purpose:** Talent management (TM) has become a strategic priority for companies seeking to identify employees with outstanding performances and the potential to hold strategic positions in the future. In fact, talent is considered an intangible capital that adds value to the organisation. However, there are only a handful of studies in the literature that address the process of identifying talent in organisations for its subsequent development. Thus, the purpose of this paper is to reach a better understanding of the process of identifying and locating talent, while proposing a configurational approach as a theoretical framework for grouping talented individuals into different configurations or talent pools to initiate talent development in firms.

**Design/methodology:** Case study methodology research based on four companies that have implemented TM programmes in Spain.

**Findings:** The research questions formulated here and the case studies shed light on the process of identifying talent and on the criteria for grouping it in order to facilitate its future development. Our results highlight the following. First, talent means people with certain characteristics. Second, companies focus more on developing the talent identified than on considering the innate nature of that talent. Finally, talent can be found throughout an organisation, in both management and non-management positions. In turn, we conclude with the relevant theoretical contribution of the configurational approach to explain that a company's future competitive advantage is based on the different talent pools existing in its organisation that group talent for its differential management.

**Practical implications:** Our results imply major recommendations for companies on how to identify talent and group it into talent pools in order to implement a process of differentiated management involving a range of temporal pathways.

**Originality/value:** The identification and location of talent, as well as grouping it into talent pools, is an essential prior process for proposing the talent architecture that is so much in demand in the literature.

## 1. INTRODUCTION

The importance of talent and its management is highlighted both for companies and for the academic field. There are numerous reports (Deloitte, 2015; BCG, 2018) contending that Talent Management (TM) in an organisational context is currently a priority issue for companies, as it can be a source of competitive advantages in their dynamic and competitive environments, providing strategic opportunities, and creating value (Lewis & Heckman, 2006; Collings & Mellahi, 2009, Farndale, Scullion & Sparrow, 2010; Schuler, Jackson & Tarique, 2011; Meyers & van Woerkom, 2014; Makram, Sparrow & Greasley, 2017; Shulga & Busser, 2019; Sparrow, 2019). In the academic field, the relevance of talent and its management is also highlighted in literature reviews through bibliometric analyses carried out by Iles, Preece and Chuai (2010b), Gallardo-Gallardo, Nijs, Dries and Gallo (2015), Gallardo-Gallardo and Thunnissen (2016) and McDonnell, Collings, Mellahi and Schuler (2017), which provide increasing evidence of the popularity of the research topic.

Given the increasing interest for companies and the higher scientific output on the issue, it may be assumed that TM constitutes a well-defined area of research, supported by extensive empirical research and a strong theoretical background. However, this is not the case, empirical works are still needed to clarify ambiguous aspects of talent and its management (Lewis & Heckman, 2006; Collings & Mellahi, 2009; Silzer & Church, 2009; Gallardo-Gallardo, Dries & González-Cruz, 2013; Meyers, Van Woerkom & Dries, 2013; Thunnissen, Boselie & Fruytier, 2013a; Al Ariss, Cascio & Paauwe, 2014; Collings, Scullion & Vaiman, 2015; Gallardo-Gallardo & Thunnissen, 2016). In addition, there is no consistent theoretical framework (Lewis & Heckman, 2006; Dries, 2013; Gallardo-Gallardo et al., 2013; Alonso & Garcia-Muiña, 2014; Meyers & van Woerkom, 2014). Therefore, certain articles conclude that TM research is still in its infancy (Thunnissen et al., 2013a) and must face the challenge of developing into a greater state of maturity (Collings et al., 2015; Gallardo et al., 2015).

Further progress in the field of TM calls for studies on the following: (i) clarifying several aspects related to TM that are still imprecise (Thunnissen & Van Arensbergen, 2015; Gallardo-Gallardo & Thunnissen, 2016; Sparrow, 2019; Shulga & Busser, 2019), as despite abundant prior research on the definition of talent (Gallardo-Gallardo et al., 2013) and its operationalization (Nijs, Gallardo-Gallardo, Dries & Sels, 2014), there are still few studies on talent identification and location; (ii) the application of theoretical approaches such as the configurational one, which while arguably increasing the fragmentation of TM research

(Sparrow, 2019) would also help to explain the process of identifying talent and grouping it into talent pools. Prior studies have already reported the existence of talent groupings (Björkman & Smale, 2010; Mäkelä, Björkman & Ehrnrooth, 2010), albeit without a theoretical grounding that explains the way of classifying these talented employees (Thunnissen & Gallardo-Gallardo, 2019), and (iii) new empirical evidence within a Spanish context, where prior research has indeed already been conducted (Vivas-López, Peris-Ortiz & Rueda-Armengot, 2011; Valverde, Scullion & Ryan, 2013; Vivas-López, 2014; Maqueira, Bruque & Uhrin, 2019), although there are only a handful of practical studies on how firms address the talent identification and grouping process.

Considering these antecedents, the objective of the study is to identify and locate talent in organisations and propose a configurational approach as the theoretical framework for grouping it into different talent pools for the application of a differentiated talent management process to each one of them. The identification of talent involves answering four research questions, which according to the literature (Collings & Mellahi, 2009; Iles, Chuai & Preece, 2010a; Gallardo-Gallardo et al., 2013; Meyers et al., 2013; Ross, 2013; Nijs et al., 2014) allow reflecting upon how talent is identified and where it is located. Subsequently, based on a study case methodology this paper analyses four cases of companies operating in Spain that implement TM, deriving theoretical propositions based on our findings. The results conclude that the talent is located in three pool configurations that constitute the bases for the development of an architecture of TM that is being demanded in the literature (Ganz, 2006; Garavan, Carbery & Rock, 2012; Sparrow & Makram, 2015).

## 2. TALENT IDENTIFICATION AND LOCATION

Certain studies in the literature have made a greater effort to shed light on conceptualising talent as an essential prior step to effective TM (Tansley, 2011; Gallardo-Gallardo et al., 2013; Meyers et al., 2013; Ross, 2013). However, there is still ambiguity over identifying talent in organisations. Along these lines, Nilsson and Ellström (2012) suggest the need to clarify certain aspects relating to the identification and location of talent because, as affirmed by Nijs et al. (2014:180) "Organizations report great difficulty in measuring talent accurately, reflecting the lack of theoretical foundations for talent-identification in the HRM literature."

We have therefore included four apparently opposing questions to be answered through the literature review (Collings & Mellahi, 2009; Iles et al., 2010a; Gallardo-Gallardo et al., 2013; Meyers et al., 2013; Ross, 2013; Nijs et al., 2014). The first two aim to explain how to identify talent and the other two where to locate it. How and where are key issues prior to the implementation of TM.

### 2.1. Talent: People or characteristics of people?

Two different approaches have been used to conceptualise talent - an object one and a subject one - which according to Gallardo-Gallardo et al. (2013) co-exist in the literature, but are somewhat contradictory. According to object approach, talent is defined as characteristics of people. This approach is supported by authors that consider talent to be exceptional characteristics of people, in which certain studies include capacity, knowledge, ability, potential, skills, and performance (Tansley, Turner, Carley, Harris, Sempik & Stewart, 2007; Cheese, Thomas & Craig, 2008; Chuai, Preece & Iles, 2008; Silzer & Dowell, 2010; Stahl et al., 2012; Gallardo- Gallardo et al., 2013). In light of the myriad definitions we find under this approach, it is particularly interesting to identify the components of talent. For Gallardo-Gallardo et al. (2013) and Nijs et al. (2014), although the possession of special capacity, ability or skills is necessary to have talent, it is nevertheless insufficient. These authors consider the presence of non-intellectual attributes relating to affectivity to be necessary, such as commitment, according to Gallardo-Gallardo et al. (2013), and interest and motivation, according to Nijs et al. (2014). These authors consider the affective component of talent to be the result of adding the motivation and interest that makes people work with "passion".

According to the subject approach supported by Gallardo-Gallardo et al. (2013), talent is considered to be people; in other words, employees with special abilities and capacity that are reflected in high levels of performance and potential. Under this approach, Lewis and Heckman, (2006:141) refer to "talent as a euphemism of people". Tansley et al. (2007:8) in Gallardo-Gallardo et al., (2013:295) define talent as "those individuals who can make a difference to organizational performance, either through their immediate contribution or in the longer-term by demonstrating the highest levels of potential".

## 2.2. Talent: Innate or developed?

Some definitions of talent, such as that by Silzer and Dowell (2010:14), which refers to "an individual's skills and abilities (talents) and what the person is capable of doing or contributing to the organization" open the debate as to whether talent is innate or the result of a learning process that enables its creation and development. As part of the debate, Meyers et al. (2013) propose a continuum in which they consider three possible situations. The first considers talent to be totally innate, meaning there are people with the same training that always perform better than others because they possess certain unique and profound characteristics that cannot be learned (Gallardo-Gallardo et al., 2013).

The second considers that talent is partly innate and partly developed. The authors that support this approach believe that innate talent is a necessary but insufficient condition to attain a high performance, and assume that there is a component of talent that is acquired.

The third, in which talent is defined as the result of a learning process, concludes that anyone can be a prodigy. In this situation, talent is seen as the result of a deliberate practice, effort, training, development and learning process based on experience, meaning that anyone can necessarily have to be the top positions, and may be at an operational level be talented (Collings and Mellahi, 2013; Gallardo-Gallardo et al., 2013; Meyers et al., 2013).

## 2.3. Talent: People or positions?

This second question is to determine whether talent involves those people with a high performance and potential, who can make a significant contribution to the organisation's future performance without being linked. Iles et al. (2010a) propose two approaches to TM: one exclusively based on people, and the other exclusively based on their position or job. The first approach involves a narrow view of TM based on the management of a limited group of people, a talent pool, with greater achievement and the capacity to make a significant difference in the organisation's present and future performance. Under this consideration, talent is not related to the position held by an employee. On the contrary, the approach based on the position considers talent to reside in the key positions within the organisation; in other words, in positions with a strategic value, whereby only employees that hold such positions can be classified as talent (Huselid, Beatty & Becker, 2005).

## 2.4. Talent: Only the elite or throughout the organisation?

One of the key issues in TM and its definition is to locate talent. There are two approaches used in the literature: an inclusive and an exclusive one. Under the inclusive approach, everyone in the organisation has talent, any employee can be considered as a strategic asset capable of generating value and achieving a competitive advantage, and should therefore be given the opportunity to demonstrate and develop it (Iles et al., 2010a; Stahl et al., 2012; Gallardo-Gallardo et al., 2013). By contrast, the exclusive approach is based on a segmentation or differentiation of the workforce, and under this approach it is not possible to be considered talent in the organisation. Talent resides only in a certain elite group within the organisation and comprises the talent pool (Boudreau & Ramstad, 2005; Collings & Mellahi, 2009; Iles et al., 2010a; Gallardo-Gallardo et al., 2013). According to the exclusive approach, talent resides in employees with a high performance and potential. In turn, these employees must contribute significantly to achieving organisational objectives by means of an above-average performance (Silzer & Dowell, 2010; Stahl et al., 2012; Meyers et al., 2013). However, this is not sufficient, and must include other characteristics, such as experience, creativity, leadership, and attitude (Tansley, 2011; Dries, Van Acker & Verbruggen, 2012), which make up potential. Potential is defined as the capacity to progress and learn more quickly, and results in the ability to adjust to the company's future needs. For Tansley (2011), potential is related to an individual's ability to progress towards more senior roles and leadership positions, which she specifically defines as "someone with the ability, engagement and aspiration to rise to and succeed in more senior, more critical positions" (p. 272). According to Silzer and Church (2009), potential is rarely used in relation to current work performance, but is typically used to suggest that an individual has the qualities to effectively perform and contribute in broader or different roles in the organisation at some point in the future.

Based on these four questions, in the following section we use a case study methodology to clarify how to identify, locate, and group talent for its subsequent development.

## 3. METHODOLOGY

### 3.1 Case study as the research methodology

The methodology used to conduct this empirical research was the case study method (Yin, 1994). The reasons that justify the relevance and choice of this method are twofold. Firstly, the consideration of the research issues in terms of how and why, given that the current corporate context gives rise to the need to analyse why TM should be studied and how talent is located and grouped, which requires its prior identification. Secondly, according to Eisenhardt (1989), the case study methodology is recommendable for issues that are new, especially if the intention is to progress theoretically, as in the case of TM, which is defined as a discipline in its adolescence (Thunnissen et al., 2013a) and still growing (Collings et al., 2015; Gallardo et al., 2015).

The research can be classified as follows: firstly, it is explanatory by nature, as it seeks to find empirical evidence for the theoretical development of the debate based on the research issues raised and according to the conceptual framework obtained from a literature review, by deducing and defining a series of propositions within the new concept of talent pools as differentiated configurations. Secondly, with regard to the sample, this case study specifically involves four companies. The choice of a single case was not recommendable here, as it is not valid for generalisations and would be limited to a descriptive study of the organisation in question, with greater bias in the conclusions. We increased external validity and reduced bias by carrying out a pilot case study, and decided to replicate the research process in three other organisations, according to the recommendations of Eisenhardt (1989) that four is a suitable number. Thirdly, the criterion for using a case study method is to generate theory in the absence of a sound theoretical framework for TM research (Lewis & Heckman, 2006; Gallardo-Gallardo et al., 2013; Thunnissen, Boselie & Fruytier, 2013b; Al Ariss et al., 2014). According to this last criterion, our research is structured as a case study of a holistic nature (Yin, 1994), in which the unit of analysis is represented by the companies that have implemented a TM plan, and the level of analysis is determined in relation to human resources management strategy.

### 3.2 Sample and data collection

We used theoretical sampling to identify the selection of cases. To facilitate the data collection process, four companies were selected from different industries that have implemented TM in Spain: Hospitality (Case A), Telecommunications (Case B), Aerospace (Case C), and Infrastructures and services (Case D). We have conducted a pilot study in Case A, and decided to replicate the research process in another three cases until we reached information saturation. Regarding Case A, the general manager facilitated access to two key persons in TM implementation: the corporate HR director and a specialist in the field of TM.

In order to replicate the investigation in the other three cases, the corporate HR directors were contacted, inviting them to participate in the research. All the companies agreed to participate at an initial meeting in which they were briefed on the project. At the same time, they identified the key people that could outline contextual issues within their organisations and advise us regarding further data collection. Specifically, five more people were interviewed: the HR manager and a TM specialist in Case B, the TM manager in Case C, and the corporate HR director and the talent development manager of a business unit in Case D. More than one informant was therefore interviewed in three of the four cases, so we reduced the bias in the answers obtained. In Case C, the importance of the person interviewed rendered it unnecessary to include anyone else in the investigation. Data collection involved the analysis of numerous internal documents, some of which were very valuable because they are TM-specific, but also strategy documents, archival data in the form of annual reports, internal company magazine articles, and websites, as well as external documents, such as specialised publications, reports by outside organisations, and articles published in the media, in some cases by the key informants interviewed.

An interview protocol was subsequently developed, and an interview template was designed to obtain insights involving questions on a number of issues, including the implementation of TM, the talent identification and location and the practices developed in each one of them for different groups of employees. Fourteen face-to-face semi-structured and in-depth qualitative interviews were held with the seven key people mentioned above, some of whom were interviewed more than once. During the interviews, respondents were encouraged to describe and share information about their experiences both in relation to company strategies and their involvement in TM processes. The interviews, which on average lasted 90 minutes, were recorded for subsequent transcription, translation, and analysis.

Finally, two questionnaires were designed: the first one was an eight-part questionnaire covering the following aspects: identification of the company and the respondent, general information regarding the implementation of TM, talent definition and identification, and talent development. The questionnaire was made up of 16 open questions, five dichotomous questions, 10 categorical questions with response options, and three closed questions of between 6 and 12 items each, measured on a five-point Likert scale. The second one, based on the information obtained in the interviews and the Chami-Malaeb and Garavan index (2013), was used to determine TM scale practices in each talent pool. This questionnaire was emailed to 15 people considered specialists in TM. As in the work by Chami-Malaeb and Garavan (2013), analyses were performed to rule out possible multicollinearity, and then a factorial was made to ensure that each group of practices was applied for each talent pool and for different objectives.

## 3.3 Data analysis

The data analysis involved the free software VosViewer (version 1.6.5.). This provides easy-to-use software-assisted qualitative data analysis focusing on the visualisation of bibliometric networks, although it is also used for qualitative content analysis. This tool creates a map based on text data, specifically creating term co-occurrence. The advantage of using qualitative content analysis software is that it allows for transparency, speed of data processing, and a reduction in the amount of data required for their analysis and objective interpretation. Term maps can be created directly based on a text corpus, so the interviews were transcribed, translated into English, revised to correct possible errors, and saved in "plain text" format. Subsequently, for all the interviews in each one of the cases, data analysis allowed identifying clusters that collected keywords that we could relate to some of the research questions.

# 4. FINDINGS

The purpose of this work is to identify and locate talent in organisations and propose a theoretical approach to the grouping of talent for its subsequent differentiated development. The findings and ensuing discussion are arranged into two sections: the identification and location of talent, and the proposed configurational approach for its grouping.

## 4.1 Talent identification and location

The findings related to talent identification and location are articulated around the four questions raised in section 2.

As regards the issue of whether talent involves people or their personal characteristics, we have found evidence in the four cases analysed to show that these two approaches are not mutually exclusive, but instead complement each other in order to identify and locate talent. In the four cases studied, this means that talent is located in certain individuals, with the most recurrent terms being "people" in Case A, *"individuals"* in Case B, and *"future leaders"* in Case C. In the opinion of the companies subject to the study, it is pointless to identify talent if it is not personified in the individuals shown to possess it. Furthermore, our findings show that talented individuals have certain shared personal characteristics that are defined in the cases as: high levels of performance within the company (Cases A, B, C, and D) or outside the company (Case C), values that are coherent with those of the company, commitment, and the desire to grow (Case A), ability to learn quickly (Case B), mobility (Cases A and C), skills (Case D), and potential (Cases A and C).

The definitions of talent we have found in the four cases all confirm the importance of the aforementioned characteristics for talent identification. Thus, in an internal document kept by Case A (Talent Management. Boost your potential), we found talent defined as *"an individual that possesses three characteristics: proven higher performance, a profile that is in line with the ethics and values of the group and the desire to develop personally and professionally within such group".* Case B, also in an internal document: Development Conference Guideline *defined talent as "the future leaders and therefore the employees that are potentially capable of holding strategic management positions with key functions "*. In a specific internal TM document: Future Leaders, Case C defined talent as *"an employee with the potential to take on a leadership position with the group in the future"*. Finally, the key respondents in Case D (corporate HR director and talent development manager) when interviewed defined talent as *"an individual with the capacity to learn faster and the ability to successfully apply such knowledge to new situations"*.

The presence of these characteristics in employees is often measured using certain talent identification practices over and above traditional performance assessment measures that also cater for the appraisal of potential, such as 360º feedback (Cases B and D) and the assessment centre (Cases A and C).

As to whether talent is innate or developed, our results showed that those responsible for talent assume there is an innate part of talent. What truly maters for companies is its development. Accordingly, the talent managers in Case B affirm: *"We do not analyse how an employee has acquired talent, what interests us is how they develop their current talent and future potential. Our goal is to find the best tools for developing talent".* The HR manager in Case C adds *"We are not interested in whether there is an innate part of talent. We are interested in that part that can be developed"*. In all the cases analysed, talent is identified by its ability to develop the characteristics identified in the preceding section, and these people are located in part by their scope for personal and professional development (Case A), the development of potential (Cases B and C), and future learning (Case D). The results therefore reveal the importance in all four cases of the scope for development, growth and learning among those employees identified as talent.

In this respect, the Director of the HR Corporate Development Department in Case D stated in an article published in the company's blog that *"talent is both the capacity to learn faster, as well as the ability to successfully apply what is learned to new situations. In short, it is basically the greater capacity to successfully adapt to change; not to be prepared for a particular scenario, but rather to be prepared to profit from any possible scenario".*

The development practices identified in the cases explain how important it is that these employees identified as talent should grow through coaching or training programmes or via mobility either within the company or internationally, and specifically that the development of talent is achieved with tools such as executive coaching (Cases A, B and C), events of visibility and exposure (Case A), assignation to international projects (Case D) and premium training, especially for top management positions (Cases A and C). For mid-management, mentoring (Cases A and C), rotation (Case D) and training in skills (Cases A, B and C) are particularly suitable. Finally, for non-executive positions, group mentoring, rotation and technical training constitute key tools for developing talent.

As regards talent: people or positions, regardless of the fact that in certain cases, such as Case C, TM is being developed exclusively for executive positions for budgetary reasons, in all our cases, TM focused on the talented employee. In the opinion of the HR Manager in Case A: *"belonging to the talent pool does not depend on the position held by an individual, but rather the person him or herself "*. Similar terms were used by the Head of Training and Development in Case A: *"people do not belong to the talent pool because of the position they hold, but because of their performance and potential"*. In Case B, the process of identifying talent is based on an assignment of people, irrespective of the position they hold. In Case C, the identification of talent is the result of an analysis of the people that show potential and performance. Finally, in Case D, the Head of HR Development stated that *"TM is a specific model for a group of people that have been highlighted"*. According to the HR Manager, *"the identification of the members of the talent pool is based on a process of people being assigned by any company employee. Subsequently, the people identified are evaluated at a roundtable discussion, to effectively determine whether or not they can be considered as talent"*.

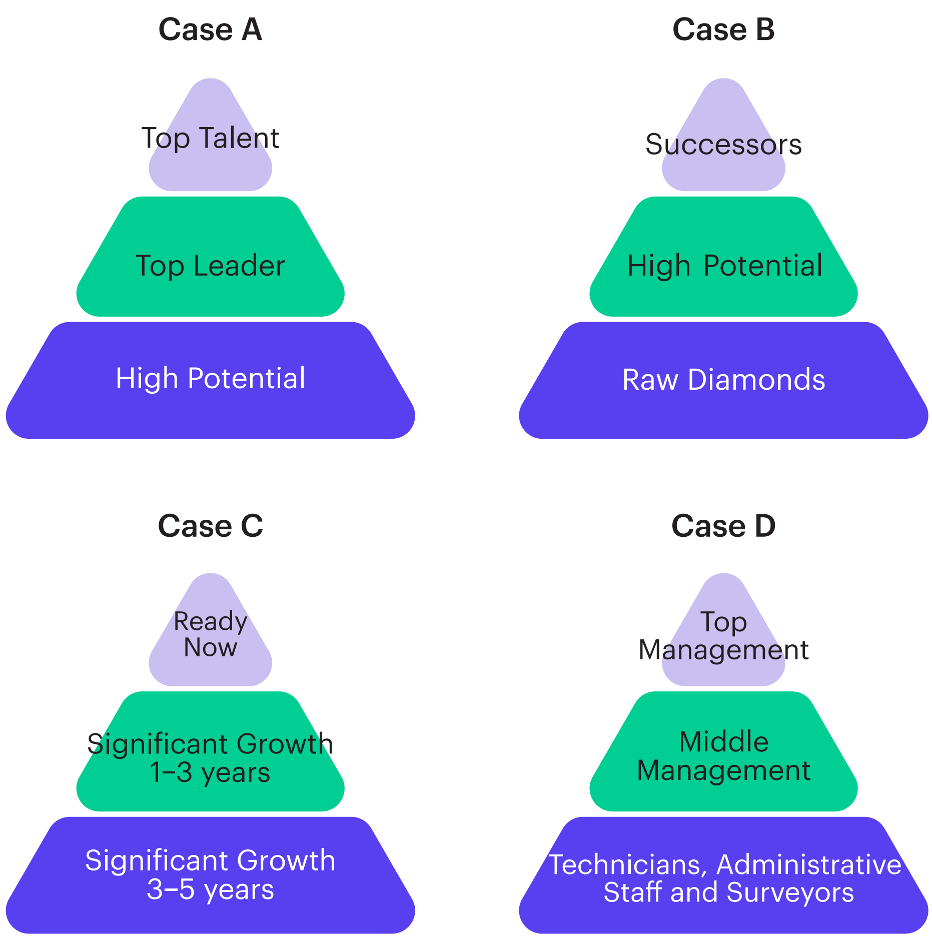
In Case D, talent is considered at a corporate level as people holding operating positions, as well as mid-management and top executive positions. It should be pointed out that at a business unit level, Case D has focused on implementing TM only for employees that hold management positions, as in the cases of A and C.

As regards talent: only the elite or throughout the organisation, consistent with the prior results the findings show that talented employees are identified according to certain characteristics, regardless of the position they hold and whether or not they belong to an executive position. In this sense, the Head of HRM in Case D stated that: *"In our sector, there is a highly sought-after* *profile of individuals: topographers that have still not held management positions are vital for achieving competitive advantages. It is essential for our company to develop this talent"*. In turn, the HR Director in Case A affirms: *"Talent at our company may be found anywhere in the organisation. Our challenge is to identify it in order to develop it and ensure these individuals hold key position in the future"*. In this respect, the Director of the HR Corporate Development Department in Case D stated in an article published on the company's blog that *"talent is both the capacity to learn faster, as well as the ability to successfully apply what is learned to new situations. In short, it is basically the greater capacity to successfully adapt to change; not to be prepared for a particular scenario, but rather to be prepared to profit from any possible scenario. And so indeed, it may be found anywhere in the organisation"*.

## 4.2 Configurational approach to grouping talent into Talent Pools for its subsequent development

Once talent has been identified, it needs to be located and grouped to continue the development process.

The different timelines in which individuals can develop their talent is a criterion that allows talent to be grouped. In our cases, we have found similarities in the way of grouping talent, and in the four cases we have identified three kinds of talent pools (*Figure 1*).




**Talent pool configurations in the case studies** *Figure 1*

*Figure 1* shows that Talent pool 1 is comprised of top managers which would develop and hold future strategic management positions more quickly. In Case A, they are called "top talent", in Case B "successors", in Case C "ready now", and in Case D "top management". Talent pool 2, with longer-term development over a greater period of time, could form part of Talent pool 1 through a process of TM and hold strategic management positions in the future. In the cases analysed, this talent pool was called "top leaders" in Case A, "high potentials" in Case B, "significant growth within 1-3 years" in Case C, and "mid-management" in Case D. Talent pool 3 is comprised of people with talent that do not hold management positions with the company, although they do hold key positions, meaning that the identification of talent is essential for the company to have its talent located for future development, to avoid it leaving, and to guarantee the succession of management positions.

The TM objective in this talent pool would be to locate this talent, as such persons do not hold management positions, and the talent could therefore be spread throughout the organisation. In the cases subject to analysis, this talent pool was called "high potential" in Case A, "raw diamonds" in Case B, "significant growth within 3-5 years" in Case C, and "technicians, clerks and topographers" in Case D.

## 5. DISCUSSION

The discussion is articulated around talent identification and location, on the one hand, and its grouping, on the other.

### 5.1 How to identify and locate talent

As regards the process of identifying and locating talent, we may reach four conclusions.

First, we can conclude that identifying talent requires locating those individuals with certain characteristics such as knowledge and skills, as well as certain attitudes, such as commitment and leadership, learning ability, and attitude and motivation that confirm their performance and potential. Therefore, the dilemma as to whether talent is the skills or the person is resolved when the companies define what they consider as talent within the context of their strategies, and subsequently identify the employees that meet the required conditions.

According to the evidence, all these definitions reveal that the companies analysed consider talent to be the individuals, people or employees that possess a series of features that set them apart or make them different from other employees, meaning that both approaches to talent (Gallardo-Gallardo et al., 2013) - the objective one (talent as personal characteristics) and the subjective one (talent as certain people) - are appropriate for its identification.

To identify the presence of these features in people, it is necessary to address two dimensions of talent: within the former, we may distinguish between intellectual attributes, which include capacity, skills and abilities, and affective attributes, values, commitment, attitude, and motivation. this is in line with the two components of talent: ability and affective, reported by Nijs et al. (2014).

One refers to the nature of these characteristics in talented individuals, and the other involves the temporal dimension of those characteristics. In turn, there is a need to differentiate between talent's current and future dimensions. On the one hand, talent has a current dimension, high performance, which is measured by the actual contribution an individual makes, and has made in the past, in terms of performance, and constitutes an indicator of an employee's future performance, meaning that their past experience is vital (Garavan et al., 2012). This allows differentiating talent that "can be operationalized as performing better than others or performing consistently at one's personal best" (Nijs et al., 2014: 182). On the other hand, talent also has a future dimension, potential, which is measured by an individual's future capacity to adapt to the company's strategic needs, to learn and progress, which materialises in higher levels of performance in the future. Talent's potential includes an employee's commitment and attitude in relation to growing rapidly and progressing within the company, and has a multiplying effect on future performance, in line with authors such as Chuai et al. (2008). Therefore, based on our evidence and the work of Silzer and Church (2009), Tansley (2011) and Dries et al. (2012), talent's differentiating features are therefore as follows: besides knowledge, skills and high performance, the capacity to grow, learn, advance, progress and develop quickly to improve, face new challenges, apply what has been learned, influence the company (ambition), and be flexible in light of the company's future needs (commitment).

Second, once talent has been identified and located, the main thing is to focus on developing the part that can be acquired and developed, rather than analysing which part is innate. Our results are more in line with the second approach of Meyers et al. (2013), which claims that there is an innate part and another part susceptible to development. As posited by Silzer and Dowell (2010), we found that the companies here focused on taking a pragmatic approach to talent, without differentiating between its innate or developed components.

The companies' remit is to focus on the component of talent that can be developed by means of personal growth based on relations, working experience, and training (Garavan et al., 2012). The practices for developing the talent identified in the cases here are some of those defined by Garavan et al. (2012), and they differ according to the talent configuration or groups being considered.

Third, it is not the position in a specific job that informs the inclusion in a talent pool, but instead the presence of certain characteristics in specific individuals. This means that talented individuals may not be in management posts and irrespective of the position they hold, supporting the approach based on people as opposed to their positions, as maintained by Collings and Mellahi (2009).

Finally, we may conclude that although TM focuses on a differentiated group of talented individuals, these people might be anywhere in the company, with companies adopting what scholars refer to as an exclusive talent approach (Iles et al., 2010a; Gallardo-Gallardo et al., 2013). TM focuses on an elite group of employees; however, such employees with the aforementioned characteristics can be found anywhere in the organisation.

Based on the above, we establish the following proposition for identifying talent (Figure 2):

**Proposition 1.** *Talent identification is based on identifying those individuals, with a management position or not, that have high levels of current performance and future potential, as a result of a combination of intellectual attributes (capacity, knowledge, skills and abilities) and affective ones (commitment, attitude, and motivation) that can be developed in order to guarantee strategic company positions in the future.*

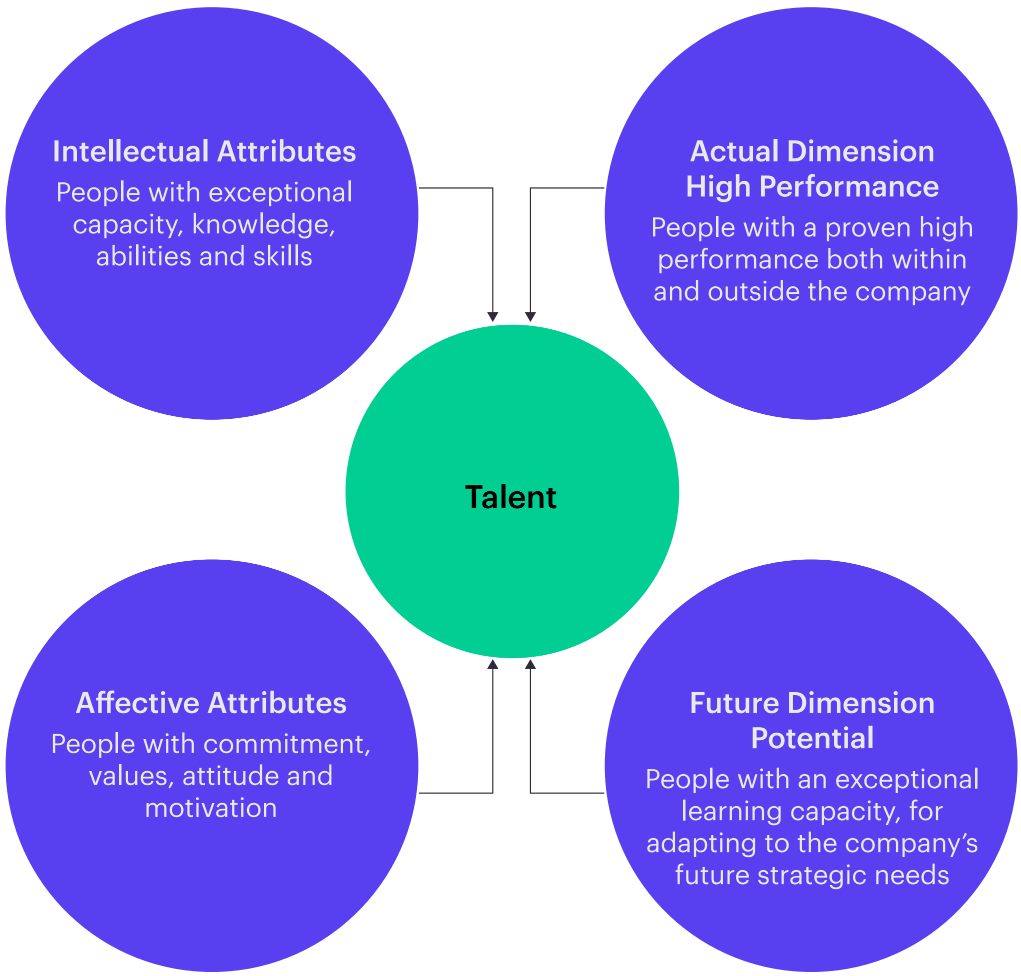



*Figure 2* **Talent components**

## 5.2 How to group talent. Talent pools as a configuration

As a result of the identification of talent derived from the cases analysed, we can conclude that the configurational approach (Doty, Glick & Huber, 1993; Meyer, Tsui & Hinings, 1993; Delery & Doty, 1996) constitutes the best theoretical framework for understanding the grouping of talent in organisations.

Our cases show that talent can be considered as integrated into different configurations, complying with the conditions of creation, differentiation and equifinality.

With respect to the creation of configurations, different types can be found in organisations that are formed either by exogenous or endogenous forces. In the former, the coercive, regulatory and mimetic pressure appears to result in an isomorphism in the four companies analysed, with respect to the definition and identification of the same talent configurations. In the latter, the endogenous forces may cause a cognitive process to create structures and, in our case, the existence of people with talent leading to a differentiation of the workforce in different configurations.

The employees considered as talent in each of the configurations identified, or talent pools, share a common feature: they have a proven high performance and future potential, albeit without a consistent profile with respect to capacity, knowledge or experience, or with respect to the level of responsibility of their hierarchical functions.

Secondly, in relation to differentiation, the configurational approach defines organisational configurations as "multidimensional constellations of different conceptual features that commonly appear together" (Meyer et al., 1993:1175). As suggested previously by certain authors, in our cases we identified three different configurations of talent or talent pools. Accordingly, Björkman and Smale (2010) have identified three groups of talent: a pool for senior managers, one for intermediate managers, and another one for people at the start of their career. Mäkelä et al. (2010), in turn, have made a distinction between senior positions, top potentials, and potentials.

According to the configurational approach, different TM tools or practices are developed in each configuration to better achieve objectives (horizontal adjustment) for more efficient TM and to achieve the strategic objectives established by the talent strategy (vertical adjustment).

Thirdly, the principle of equifinality is present in the configurations, according to which a system can reach the same end result with different initial conditions and in a variety of ways (Doty et al., 1993). Accordingly, the three ideal talent pool configurations identified cater for the proposed objective of guaranteeing future strategic positions, although with different employees, different practices, and at different times. The fact that some talented employees hold management positions means they have a shorter path to reach strategic positions within the company than others that do not, given that although possessing talent implies a high likelihood of future promotion, the progress towards key or strategic management levels in the company's future will take place gradually over time.

For these reasons, we identified three talent configurations, which we call talent pools 1, 2 and 3, which must be managed differently (Figure 2). Firstly, Talent pool 1 is comprised of employees with talent that hold executive management positions. Secondly, Talent pool 2 is comprised of employees that hold mid-management positions. Thirdly, talent pool 3 is comprised of employees that do not hold management positions.

The first two configurations (C1 and C2) represent people with talent that hold management positions (executive and mid-management) at the company. They are highly valuable to the organisation and its future strategy, and they have to be involved in TM. Given their value, an investment is required because they are of extraordinary value for the company's competitive advantage in the future. The TM objective for both configurations is to develop these people for strategic positions in the future.

Finally, the third configuration (C3) is comprised of people with talent that do not hold management positions within the company (Talent pool 3), although they do hold key positions, meaning that the identification of talent is essential for the company to locate it for future development, to avoid losing it, and to guarantee the succession of management positions. The TM objective in this case would be to locate this talent, as such persons do not hold management positions and their talent could therefore be spread throughout the organisation.

Based on the above, we propose the following (*Figure 3*):

**Proposition 2.** *TM requires the identification of three types of talent pools for the application of differentiated practices in talent development.*

**Proposition 2.1.** *Talent pool 1 is comprised of talented employees holding top management positions that develop their talent within a period of less than three years.*

**Proposition 2.2.** *Talent pool 2 is comprised of talented employees holding mid-management positions that develop their talent within a period of 3 to 5 years.*

**Proposition 2.3.** *Talent pool 3 is comprised of employees that do not hold management positions and develop their talent in a period of time exceeding 5 years.*

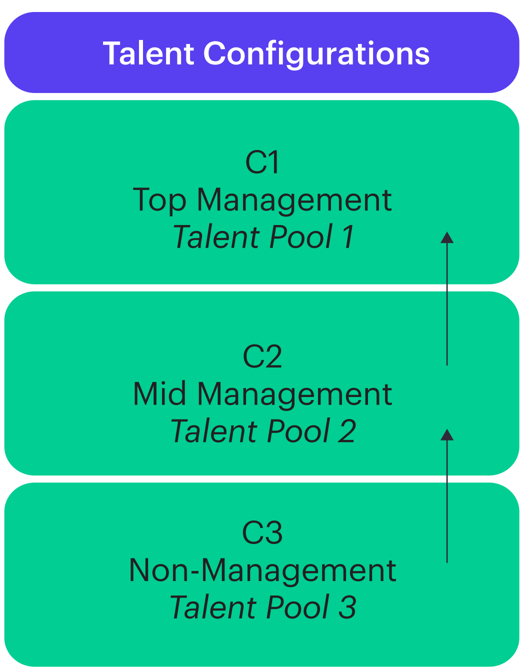



*Figure 3* **Talent as a configuration**

## 6. CONCLUSIONS

Although talent is deemed to be intangible capital that adds value to organisations (Alonso & Garcia-Muiña, 2014), there are few studies in the literature that address the process of identifying and locating talent. Establishing the components of talent for its identification and location underpins this paper. Our initial conclusion accordingly is that from a corporate perspective, talent involves people, and that TM focuses solely on the part of talent that can be developed.

This means that nurturing talent development is vital for companies. We propose the configurational approach as a theoretical framework for grouping talent into different configurations or talent pools. Our second conclusion is that talent may be found anywhere in an organisation, in management positions or not, and its grouping is crucial for its differentiated development in terms of both the tools and the time required to do so, depending on the talent pool involved.

Some contributions and implications can be derived for academics and practitioners. For academics, on the one hand, a theoretical framework is proposed (as called for by Thunnissen et al. 2013b): the configurational approach for grouping talent into different configurations or talent pools for the application of differentiated development policies. On the other hand, an empirical study is provided in a field dominated by theoretical analyses (Nijs et al., 2014) and, in a Spanish context, where there have been very few publications to date (Vivas-López et al., 2011; Valverde et al., 2013; Vivas-López, 2014; Maqueira et al., 2019).

From the perspective of practitioners, this work's contribution consists of different configurations of talent pools for the design and implementation of a series of TM practices that are different for each configuration, thus allowing companies to develop talent at different points in time to achieve their future strategic objectives.

In this regard, companies can be more aware that talent has become a determining factor of competitiveness, and through efficient TM they can restructure the knowledge, experience and the commitment of those employees that contribute the most to the company's future, and build competitive advantages that are sustainable in the long term.

## DECLARATION OF CONFLICTING INTERESTS

The authors declared no potential conflicts of interest with respect to the research, authorship, and/or publication of this article.

## FUNDING

The authors received no financial support for the research, authorship, and/or publication of this article.

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