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# Building and sustaining a strong talent pipeline



**Best practices only work in a given context, says Günter Stahl, INSEAD Associate Professor of Organisational Behaviour. “So what works for one company may not work for another.”**



That's one of the key findings of The Global Human Resource Research Alliance, a study of best practices in talent management on which Stahl was a lead researcher. It investigated the processes and practices of 37 multinational companies, selected on the basis of their international scope, long-term performance and reputation.

## **Cultural fit**

Stahl says it's important before adopting best practices to understand why they work for some companies, and to consider whether they will be as successful in a new corporate environment. Stahl notes the example of General Electric's forced rankings system which places executives in one of three categories: the top 20 per cent of performers; the adequate – but vital – middle 70 per cent, and the bottom 10 per cent. GE used the system as the basis for succession planning, leadership development, as well as for decisions related to evaluating the effectiveness of individual employees.

While the system was well aligned with GE's meritocratic and performance-driven corporate culture, some firms that emulated it found that it resulted in lower morale, reduced trust in management, and attrition among the vital 70 per cent who may feel undervalued. Even GE has felt such effects and is now introducing greater flexibility in the system, Stahl says. Similarly, 360° feedback systems would not succeed in very hierarchical organisations where employees are not comfortable giving supervisors their honest feedback.

The culture of a particular society also plays an important role in determining the cultural fit of talent management practices, Stahl says. Even companies that otherwise have very advanced programmes promoting diversity, including sexual orientation, have chosen not to implement such programs in Asian countries where this topic is not openly discussed.

Companies are also increasingly hiring employees whose personalities and values reflect those of the organization. For example, furniture retailer IKEA selects staff on the basis of their attitudes, values and cultural fit with the company as much as for their qualifications. This is because, in some professions at least, job-related skills are not always the best predictor of performance and can easily be changed, while values and personalities cannot.

## *Synopsis of talent management best practices*

### **Recruitment and staffing**

- Talent pool strategy rather than hire for specific positions
- Close relationships with leading business schools and universities
- Highly selective hiring
- Compelling 'employee value proposition'; strong emphasis on global branding
- Focus on values and cultural fit, not just job-related skills and experience
- Continuous assessment of performance and potential
- Grading against competency profiles of successful leaders
- Use of talent inventories for selection/succession
- Different talent pools (executive/specialist)

### **Training and development**

- Leadership development is a top priority and deeply ingrained in culture
- Promotion-from-within policy
- Continuous assessment of training needs/feedback (360 degrees)
- Individual development plans linked to succession planning process
- Job rotations and international transfers as career development tools
- Line manager involvement (coaching, mentoring, etc.)
- Use of open job posting system and internal talent marketplaces

### **Retention management**

- Continuous monitoring of attrition rates
- Highly competitive compensation
- Personalised career plans
- Senior management attention
- Flexible working arrangements
- Diversity programmes designed to develop, retain and promote diverse talent

## **The employee value proposition**

According to the study, compensation is no longer the primary concern, as potential employees seek to join firms whose values are aligned with their own. This means, Stahl says, in order to be an employer of choice, it's crucial for firms to differentiate themselves from their rivals, and create and deliver unique employee value propositions. These centre on both tangible and intangible elements – which, while they include competitive salaries, also take into account the values and reputation of a particular firm, as well as opportunities for career and leadership development, and work-life balance.

## **Values and reputation**

Companies which are successful in attracting and retaining staff focus on creating a global brand that reflects their corporate culture and values, and market this brand to potential recruits, who are looking to work for firms with values they ascribe to. Building a brand and reputation brings in more prospective employees, thus allowing more selective hiring. Indian IT outsourcing firm Infosys, for example, operates a global internship programme called InStep which selected 69 students out of 8,500 applications in 2005 and took them to the company's main campus in Bangalore for three months. The firm's branding initiatives appear to be paying off in terms of enlarging its pool of potential talent – it ended up hiring 15,000 software engineers in 2005 out of some 1.5 million applicants.

### **Opportunities for career and leadership development**

Employees are more likely to join stay within an organization if they believe the prospects are good for longer-term career and leadership development. The firms that have been most effective in terms of talent management, according to the study, are those in which top management treat the issue of leadership development as a top priority. Procter & Gamble CEO A.G. Lafley, for example, spends between one-third and half of his time on leadership development; while IBM invests more than US\$700 million annually on staff development. According to the study, employees also appreciate continuous feedback on their performance, and opportunities to move around the company- between different roles, departments and even countries. Stahl notes that the culture within a particular organisation must facilitate such developments, with line managers also playing a key role in coaching, mentoring, and encouraging staff to move within an organisation, rather than try to hold on to their best talent.

### **Work-life balance**

As more and more people look for a healthy balance in their professional and personal lives, particularly among the younger generation of professionals, an increasing number of companies are competing for talent by offering flexible work arrangements. Stahl says that the most advanced in this respect are professional services firms and investment banks. One programme that has been successful in reducing the attrition rate of women, and increasing the number of female partners is Accenture's Work-Life Balance programme. This programme, which offers options such as flextime, job sharing, telecommuting, and "flybacks" for people working away from home, has since been opened up to male employees as well, and has been credited with improving team productivity, job satisfaction and personal



motivation.

There are plenty of initiatives then which show that companies are increasingly treating talent management as a top priority. However, the study concludes that few human resource professionals, senior executives and line managers believe that their organisations have fully solved the 'talent management puzzle'. While there are some effective practices for attracting, developing and retaining talent, these will only be successful if they're in line with the company's business strategy, all elements of its HR system and are embedded in the firm's value system.

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