



# A CEO'S GUIDE TO TALENT MANAGEMENT TODAY

By Vikram Bhalla, Jean-Michel Caye, Deborah Lovich, and Peter Tollman

**W**ITH TODAY'S FOCUS ON advanced technologies, it's easy to overlook a simple fact: all that tech is meaningless without the talent to put it to use. In an age of automation, robotics, and artificial intelligence, human talent is more important than ever. While the best CEOs recognize this and put people at the center of their agendas, many others continue to pay lip service more than they actually devote time to their "most important asset."

About a year ago, we pinpointed 12 principal forces shaping the demand for, and supply of, talent. (See *Twelve Forces that Will Radically Change How Organizations Work*, BCG Focus, March 2017.) Half of them have to do with technological and digital productivity and shifts in ways of generating business value; the other six relate to changes in resource distribution and in workforce cultures and values. Taken together, they amount to a new type of industrial revolution in how companies work, which means that management teams need to adjust how they create their people advantage.

Companies require a fresh view of recruiting and talent development that takes into account the fact that the technical talent they need, especially in more advanced fields, may not be immediately available. They need to manage teams made up of traditional employees, techies, contingent workers, and people from outside the organization (such as agencies and suppliers). They need to figure out how to "reskill" or "upskill" people displaced by automation and other technological advances. The numbers are big—up to two-thirds of current headcount. In our workforce planning assignments, we are finding that an average 66% of employees will experience significant change in their job profiles in the next five years. In addition, companies need to create hundreds, maybe thousands, of new job profiles from scratch.

It's an enormous challenge—one that should be at the top of every CEO's action list. For those who want to get it right, here are five simple ways to think about establishing a people advantage that is as real and powerful as any other competitive ad-

vantage out there. A word of warning, however: simple is not the same as easy. Effective talent development and management, especially in a time of fast-paced, tech-driven change, takes a concerted commitment—and, most important, time.

## It's About Time

Great talent management is like raising kids—it's all about how you spend your time. CEOs and their leadership teams often devote just a few days a year to talent management, when 30 to 40 is closer to what's required. (Is 10% of your time too much to devote to your most important asset?)

A few years back, respondents in a survey of 2,000 executives said that their leadership teams spent fewer than nine days a year on activities related to talent management. Top executives at “best-practice companies” spent 20. Given the importance and complexity of managing talent today, the time required has greatly increased—maybe doubled—but our experience tells us that the average actual commitment has not changed. And if executives at levels three, four, and five don't see the top team committing significant time to talent development, they will quickly conclude that other priorities deserve the lion's share of their attention as well.

We're not just talking about talent reviews. These deserve as much time as leaders can commit, but so do the daily and weekly opportunities to interact one-on-one or in small groups with direct reports and staff. These interactions are where coaching and mentoring take place, where leaders get actively involved in the careers of others, and where those leaders can make a real difference.

At BCG, we try to practice what we preach. The firm's partners are rated annually on two important scores (among others): client success and apprenticeship, with the latter determined through an upward feedback program in which everyone in the firm can participate. Those who rank near the top on both axes (about 8%) receive the Northeast Award (named for the top-right quadrant on

a two-by-two matrix). It's the most prestigious form of recognition we have.

## It's Not Just About the 2%

In the US National Basketball Association's 2017 season, two teams with below-average payrolls—the Golden State Warriors and the Boston Celtics—won their respective divisions. Golden State went on to win the NBA championship. At the same time, eight teams with above-average payrolls all finished with losing records. One big reason: teamwork—specifically, cooperation, or acting in ways that improve the effectiveness of others, often at personal cost.

Players on the Celtics and the Warriors “assisted” their teammates far more frequently than players on other teams—on average, 15% to 30% above the league average. An assist (passing the ball to another player rather than launching a shot oneself) embodies cooperation because players forfeit personal points in order to set up a teammate who potentially has a better shot. The sacrifice is real: basketball is a team sport, but the NBA celebrates its stars, who earn tens of millions of dollars each season, and points scored are the biggest determinant of that pay—40% more than any other tracked metric. The individual reward for assists can't match the payoff for points, but teams that transcend individual interests and foster higher levels of teamwork score points and win games.

The idea that the top 2% of your people merit 80% of your talent attention has become a tenet of conventional wisdom. Problem is, it's always been an exaggeration, and the importance of the 2% is declining in today's world. As more companies realize that agile ways of working are the new normal in our fast-moving information age, they are turning to cross-functional teams to speed things up and get work done. These teams heighten the importance of abilities such as communication and collaboration and mitigate the impact of the 2%, no matter how skilled they are. The stars can still rack up points, to be sure, but to be most effective, even they need the help of those with skills they don't have. Working in teams can have

other benefits, too: employee engagement, measured in quantitative surveys, increases dramatically.

## Be the Change You Wish to See

Leaders are hardly immune to the changes taking place. In fact, as companies bring onboard new technologies (including those that automate or replace tasks now handled by humans), reorganize around cross-functional teams, and become more dependent on ecosystems of partners and other organizations, success comes to require adaptive, agile leaders who can themselves embrace change, let go of old habits and behaviors, and lead their organizations in new ways.

Some of these “new” characteristics are already well established among forward-looking leaders. Four capabilities of the adaptive leader that we identified years ago are still valid:

- **Navigating the Business Environment.** Adaptive leaders embrace uncertainty and adopt new approaches in order to chart a course amid turbulent conditions.
- **Leading with Empathy.** Adaptive leaders develop a shared sense of purpose and manage through influence rather than command and control, creating cohesion in a time when talent is increasingly dispersed geographically, functionally, and organizationally.
- **Learning Through Self-Correction.** Adaptive leaders encourage—indeed, insist on—experimentation. Of course, some experiments will fail, but this is how adaptive organizations learn.
- **Creating Win-Win Solutions.** Adaptive leaders focus on sustainable success for both the company and its external network of stakeholders. (See “Adaptive Leadership,” BCG Perspectives, December 2010.)

Our colleague Roselinde Torres has delivered a [Ted Talk](#) on what makes a great

leader that has been viewed almost 4 million times. Roselinde started talking about new ways of leading before anyone else—she was truly prescient—arguing that leadership in the 21st century will be defined by the answers to three questions:

- Where are you looking for the next change to your business model or your life? The answer can be found in what you are doing today.
- What is the diversity measure of your personal and professional stakeholder network? Great leaders understand that a more diverse network is a source of better understanding and solutions, because it gives them access to people who think differently from themselves.
- Are you courageous enough to abandon a practice that has made you successful in the past? Great leaders dare to be different. They don’t just talk about risk taking, they actually do it.

Great leaders adapt to their times. They spend a lot of time and effort thinking about what’s going on around them and what’s about to change. They learn to be comfortable outside of their comfort zone. And they encourage others to do the same in their daily interactions by recognizing and rewarding adaptive behaviors in their companies’ performance management systems.

## Look to the Front

As with the 2%, companies devote a lot of time to their 150, or even 350, top-echelon stars—the leaders of the future. They typically spend much less time supporting and developing the leaders who manage customer-facing functions or functions that have a direct impact on growth, profitability, or other critical performance metrics. These frontline leaders work at the rock-face of value creation; they are also key to embedding a company’s purpose throughout the organization—which our research shows contributes directly to performance. (See *Purpose with the Power to Transform Your Organization*, BCG Focus, May 2017.)

In a digital world, where creating and managing the customer experience is the basis of relationship building, frontline leaders are a key success factor.

The move from individual contributor to manager is the single biggest change in role for any staff member, yet in many companies these newly minted “leaders” get little or no helpful support. Many receive only a token welcome-to-management training session or some management modules to look at when multitasking.

CEOs at people-advantaged companies play an active role in developing this management cohort by directly participating in their training (on a selective basis, certainly, but frequently and visibly enough to get noticed), and they get their senior management teams to make the same commitment. Top leaders help provide frontline managers with practical solutions to the problems they face. In the process, frontline leaders build their capabilities in the real work they do every day, which both embeds necessary change into the organization and fosters more engaged teams that increase productivity and deliver a better experience for customers. (See *How Frontline Leaders Can Deliver Breakout Performance*, BCG Focus, November 2016.)

## For Winners, Talent Creation Is a Daily Responsibility

Every company has learning and development programs, but these are typically geared to produce incremental improvement rather than transformative capabilities. Companies must address their talent needs in a comprehensive and transformational manner that is embedded in the day-to-day operations of the organization. Read what Carlos Ghosn, chairman and CEO of the Renault–Nissan–Mitsubishi Alliance, had to say recently at Davos:

This sudden storm from all the new technology coming—digitization, artificial intelligence, robots—is a huge cause of worry for our engineers. They’re worried that they and

their knowledge are going to become irrelevant. Even people working in administrative areas see new tools coming and are worried about what their jobs are going to become. And we have a responsibility to answer the anxiety generated inside our company by this unprecedented flow of new approaches and technologies. The upskilling and reskilling of our people is a massive task that we must all be involved in if we want to keep our workforce engaged and productive.

It can help to look beyond the existing organization. As part of its digital transformation program, Renault established a digital center with a multifaceted mandate, including digitizing internal processes, creating new ways of working, and fully leveraging the value of data. The center is charged not only with delivering digital projects but, equally important, with building the company’s digital and agile competencies through internal training and external recruitment.

To pursue this part of its mandate, the digital center established a talent incubator that handles a mix of more than 300 people, of whom one-third are Renault employees, one-third are outside contractors or contingent workers, and one-third are new hires recruited by the center. These people work together in fast-moving, iterative, agile teams on projects assigned by the broader business that have clearly defined business objectives. Each team has a product owner, who comes from the automotive business and works with the team until the project is completed and its objective achieved.

The digital center and talent incubator serve multiple purposes for Renault. The incubator and its multifunctional teams teach employees agile ways of working (on the job) and show them how effective those methods can be. Contingent workers and new hires include a lot of technical talent that the company needs in order to effect its transformation. The digital center can attract such talent more readily than a

more traditional organization. By integrating these people into blended teams with internal employees and assigning the teams real business problems to solve, Renault facilitates a form of technology transfer between digital talent and internal employees—who are assigned to the incubator, in part, to develop new skills. When product owners and team members finish their time in the digital center and return, or move into, the traditional business, they serve as evangelists for new ways of working with real-life success stories that facilitate a broader culture shift toward a more digital organization.

In one of our early publications on the subject, we defined talent as simply “the people who bring competitive advantage to a company.” We observed that companies with an effective approach to talent management take an end-to-end view that is grounded in business strategy and treats

human capital with the same rigor as a capital asset investment. (See “Make Talent, Not War,” BCG Perspectives, December 2011.)

**W**HILE EACH COMPANY will approach the talent challenge in its own way, winners share the view that talent is a critical business priority and act accordingly. Every discussion of strategic priorities and operational plans addresses talent-related questions. What talent do we need in order to execute these plans? Do we have it? Where will we get it? How will we build it? At these companies, CEOs ensure that their line leaders feel enabled and accountable for delivering on the talent agenda. HR has an essential seat at the table. But at the end of the day—and on the bottom line—it’s up to managers throughout the organization to make sure they have a plan to put the talent they need in place and to execute.

### About the Authors

**Vikram Bhalla** is a senior partner and managing director in the Mumbai office of The Boston Consulting Group. You may contact him by email at [bhalla.vikram@bcg.com](mailto:bhalla.vikram@bcg.com).

**Jean-Michel Caye** is a senior partner and managing director in the firm’s Paris office. You may contact him by email at [caye.jean-michel@bcg.com](mailto:caye.jean-michel@bcg.com).

**Deborah Lovich** is a partner and managing director in BCG’s Boston office. You may contact her by email at [lovich.deborah@bcg.com](mailto:lovich.deborah@bcg.com).

**Peter Tollman** is a senior partner and managing director in the firm’s Boston office. You may contact him by email at [tollman.peter@bcg.com](mailto:tollman.peter@bcg.com).

The Boston Consulting Group (BCG) is a global management consulting firm and the world’s leading advisor on business strategy. We partner with clients from the private, public, and not-for-profit sectors in all regions to identify their highest-value opportunities, address their most critical challenges, and transform their enterprises. Our customized approach combines deep insight into the dynamics of companies and markets with close collaboration at all levels of the client organization. This ensures that our clients achieve sustainable competitive advantage, build more capable organizations, and secure lasting results. Founded in 1963, BCG is a private company with offices in more than 90 cities in 50 countries. For more information, please visit [bcg.com](http://bcg.com).

© The Boston Consulting Group, Inc. 2018. All rights reserved. 4/18 Rev 11/18