

## The CEO's role in talent management

How top executives from ten countries are nurturing the leaders of tomorrow

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*Executive:* Peter Johnson

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*Title:* Chief Executive Officer

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*Company:* Inchcape plc

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*Location:* London

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*CEO since:* 1999(In January 2006 he relinquished his CEO role and became Chairman of the Board)

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*Age:* 58

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*Previous position:* Chief Executive of Inchcape Motors International

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*Sector:* Automobile sales, distribution and financing

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*Revenue (2005):* US\$8bn

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When Peter Johnson became CEO of Inchcape in 1999, he decided to shake up the company. After a downturn in the mid-1990s, Inchcape was rebounding nicely. But it was a firm in transition. The organisation had jettisoned most of its non-automotive businesses. About 80% of its sales came from overseas distribution and sales outside its UK base. Mr Johnson, who relinquished his CEO role in January 2006, believed that to sustain stronger, long-term growth, Inchcape would have to fill some gaping holes in its

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management team and replace a number of executives.

Mr Johnson estimates that during his six-year tenure he changed 65-70% of his managers. He says this transformation has played a major role in Inchcape’s success over the past four years. Revenues rose 9% last year to US\$8bn, while operating profit increased 9.2% to US\$315m.

Inchcape used in-house HR staff and executive recruiters to bring in fresh blood. But Mr Johnson was also deeply involved in the recruiting, regularly interviewing candidates. He believes strongly that talent management begins by finding the right

people. Yet this was often difficult at Inchcape, a large global organisation that must simultaneously create company-wide standards and address cultural differences. Inchcape has major operations in the UK, Greece, Belgium, Hong Kong, Singapore and Australia. The management skills that work well in one country may not be so effective in others.

For example, Mr Johnson hired a high-energy former entrepreneur to run Inchcape’s Hong Kong operations, where he was expected to have frequent contact with customers. But he recruited a lower-key manager for a more behind-the-scenes role in the UK. “It’s understanding not only the individual nature of the candidate or the potential colleague but the culture into which he’s going to be operating and whether that fits,” Mr Johnson says. “That’s what’s been fascinating about this job because every area has a different culture, has a different set of success factors. You’ve got to achieve locally but blend a global team.”

A few qualities were mandatory. In a service business, Mr Johnson sought people who could manage multiple suppliers and had a track record of satisfying customers. But most of all, he wanted people with a passionate belief in Inchcape, believing this would infuse an organisation that depended on sales acumen and customer service with new energy. Mr Johnson prides himself on his ability to detect this passion. “When I get people talking about what they’ve done, it’s very easy to feel where there’s passion about a job. You need somebody who comes to work for more than simply being rewarded. You can take a really difficult business and turn it around with the right person.”

Over the past three-and-a-half years, a new head of HR has brought a more systematic approach to the process of evaluating executives. Inchcape now uses yearly performance appraisals that score executives in a number of categories, spotlight strengths and weaknesses and determine their potential for higher roles. Some Inchcape units also employ more informal evaluations.

To develop executives in Europe, Mr Johnson oversaw the creation of an internal training academy. The programme helps

promising leaders from middle management upwards to improve their skills through course work and other events co-ordinated by Inchcape and Loughborough University in the UK. These managers may pursue an MBA at the school. The company has also made more use of executive coaches.

Mr Johnson spent 15-20% of his time on talent management. He conducted an annual formal review of the company’s approximately 100 senior executives with the board. He mentored eight senior executives from overseas business units and four from the UK. The company has three succession plans: one for emergencies, one for three years’ hence and a five-year plan.

Mr Johnson sees retention as the greatest obstacle to effective talent management. In recent years, Inchcape has lost executives because it was not able to promote them quickly enough. Some skilled managers joined Inchcape rivals. “These [talented] people are hard to come by,” Mr Johnson says. “They’re ambitious. You develop them over a two- or three-year period. They’re ready for the bigger job. The bigger job isn’t available, then you lose them and, very often, they end up going to your competition.” He believes that by providing better job opportunities, Inchcape has a better chance of keeping these executives. But he also believes that losing executives to rivals is a sign that the Group’s development processes are working. “If 50-60% of my competition is taking people I’m developing, then that tells you the quality you’ve got.”