



GROWING GLOBAL EXECUTIVE TALENT:

HIGH PRIORITY, LIMITED PROGRESS

BY

DEVELOPMENT DIMENSIONS INTERNATIONAL (DDI)

IN CO-OPERATION WITH

THE ECONOMIST INTELLIGENCE UNIT

DDI 
COMPETITIVE ADVANTAGE. REALIZED.

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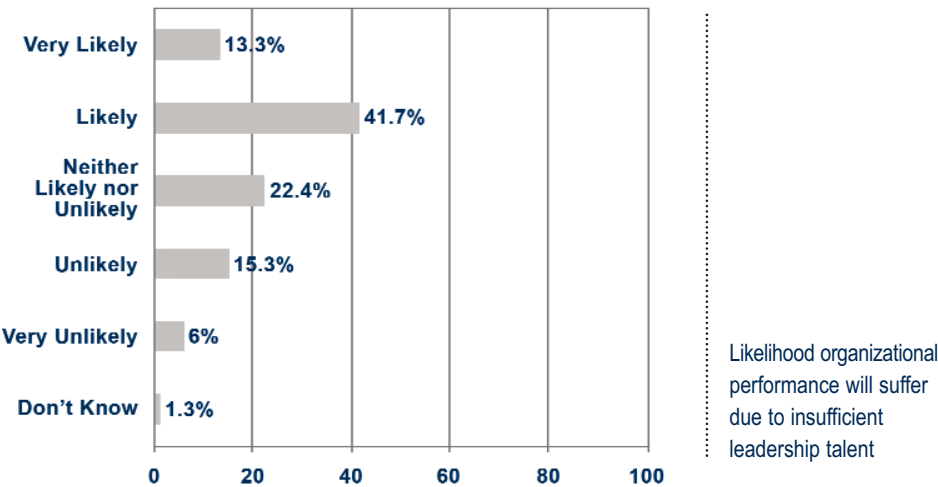
*“Show me a good leader and
I’ll show you a good business.”*

Mr. David Novak, Chairman and CEO, Yum! Brands, Inc.



Around the world, the demand for talent outstrips the supply, and the problem is growing. Global companies are aware that they need to improve their ability to find and develop better executives—and it must happen soon—or business performance will suffer. Yet awareness of the problem is not resulting in actual progress toward resolving it.

That was the most dramatic conclusion of a global online survey of 412 executives conducted by the Economist Intelligence Unit (EIU) on behalf of Development Dimensions International (DDI) in September and October 2007. In the survey, 55% of respondents said that their firms’ performance was likely or very likely to suffer in the near future due to insufficient leadership talent. This perception cut across executives of different ranks and from companies of vastly different sizes and regions. With one exception, the top executives from eight large, publicly traded companies whom the EIU interviewed separately concurred with this view.



“I always say, ‘Show me a good leader and I’ll show you a good business,’” says Mr. David Novak, chairman and CEO of Yum! Brands, Inc., which owns well-known restaurant chains such as KFC and Taco Bell. “People get excited by working around great people. The best thing you can do in a company is build an A-team. Our whole focus is building and developing and retaining people.”

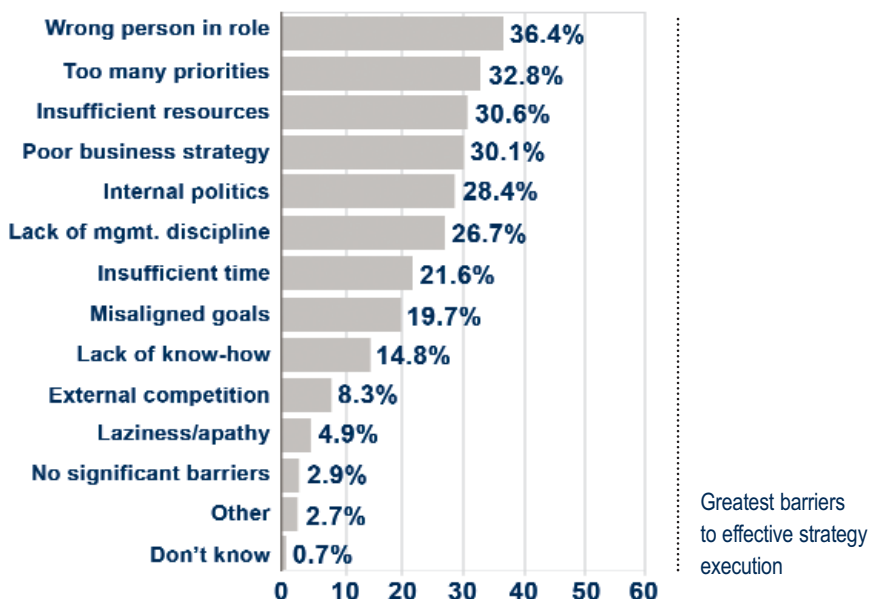
The survey asked executives to assess their leadership, pinpoint important leadership qualities, and specify the obstacles to effective talent management. It also asked them to describe their own role in talent management.

The project is a follow-up to *The CEO's role in talent management*, a 2006 Economist Intelligence Unit report sponsored by DDI. In the previous report, the leaders of 20 large publicly traded and privately held firms in 10 countries said they were spending an increasing amount of time on talent management. The interviewees said effective talent management benefited their organizations' performance, but they generally did not specify the impact. This paper seeks to address that point and to draw additional insights.

Many observers believe there is a link between effective talent management and corporate performance, although it is only in recent years that studies have been trying to measure the connection. In this survey, CFO respondents were the most likely to link success to leadership with nearly 70% saying their organization would suffer in the near future due to insufficient leadership talent. Meanwhile, 51% or more of business unit heads, vice presidents and chief information officers agreed. Only about 20% of all these executives said the connection was unlikely. Respondents from companies with less than \$5 billion in revenue were equally likely as firms with revenue of \$10 billion or more to see close ties between their organizations' success and leadership talent.

Clearly, concerns about leadership are widespread. Moreover, they underscore the importance of effective talent management. "I can only succeed in making my business work with a really good set of people who can understand the issues and make things happen," says Mr. Simon Machell, the CEO of Aviva Asia Pacific, a division of the UK-based insurance company Aviva.

Many of the executives surveyed indicate that their companies don't have the right person in the right job and that this shortcoming has repercussions. About two in five said this was their biggest obstacle to executing business strategy. Mr. Machell and other CEOs interviewed more in-depth said a person in the appropriate position is going to be more productive. "If you have the right people with the right attitude and the right capability, the overall ability to get things done is there." Mr. Machell says he rates his executives on their ability to recruit, develop and retain excellent people for more senior roles. "My challenge is always—can you recruit somebody who can do your job quickly? Then you're providing the future talent stream for the organization."



THE GLOBAL BUSINESS ENVIRONMENT AND TALENT MANAGEMENT

Still, managing talent isn't always easy in today's complex, global business environment. Fast-growth situations, increasing opportunities in emerging markets, mergers and acquisitions, and downturns may send companies in search of a different expertise than they anticipated only months earlier. Organizations that fail to find and prepare executives who can handle these types of situations do so at their own risk. "You think about leadership in today's environment and what will happen over the next five years, it's very dynamic," says Mr. Joe Hogan, the CEO of General Electric's \$17 billion healthcare unit. "Leadership to me implies change."

In some emerging regions, firms may encounter a lack of qualified candidates. In particular, China and some other Asian countries still lack qualified middle and senior managers. This has led to stiff competition and relatively high turnover as managers leave one company for higher-paying positions at other firms. Mr. Machell said he's had to recruit ex-patriots for key roles in Asia, but these foreigners may be at a disadvantage in understanding local regional business practices and culture. "My challenge over time is to reduce the number of expats and have more locals running businesses," Mr. Machell says.

Some firms have had to pursue far-reaching strategies to ensure they have enough capable executives to meet their needs. Yum! Brands, Inc. Chairman and CEO Mr. David Novak holds two- to three-day leadership conferences called “Taking People With You” in different parts of the world. Mr. Novak lectures on such topics as communication skills, strategizing, and motivating employees. Mobile electronics and transportation systems manufacturer Delphi and Australia-based mining, consumer products and chemical services company Orica send senior executives to multi-week, executive development programs. All of the interviewees said their firms use some form of mentoring or executive coaching, often with professionals outside the organization.

GLOBAL LEADERSHIP QUALITIES

Organizations need multifaceted leadership qualities. When asked what leadership qualities will be important over the next five years, the most frequently selected choice was the ability to motivate staff (35%), followed by the ability to work across cultures (34%), and the ability to facilitate change (32%). Other options such as integrity and ethics (16%) and the ability to “bring in the numbers” (10%) were found in the bottom half of responses.



The ability to manage across borders and cultures has become increasingly important. This holds true especially in Asia where companies may have one hub covering several different countries. When asked to identify his

company’s biggest leadership gap, one survey respondent stated, “Not enough qualified people with global knowledge and knowledge of local markets.” Another said that “maintaining quality and innovation across an international workforce” was his firm’s main management problem.

Majdi Abulaban of Delphi Packard, Asia Pacific, said that his firm has been assigning promising executives to more global projects and increasing training on international business issues. “Functioning globally is becoming more and more prominent,” Mr. Abulaban says. GE Healthcare’s CEO Joe Hogan agrees: “You have to be a citizen of the world and be able to motivate people, understand different cultures, and be able to lead in the right way.”

TALENT MANAGEMENT AS A CORE STRATEGY

Overall, the survey and interviews conducted for this paper show that many executives have made talent management part of their core business strategy. Two-thirds of survey respondents said talent management was equal or more important than other business priorities. Moreover, about four in five respondents said members of the senior executive team agreed at least moderately on the importance of talent in ensuring success and on the type of leaders their organizations will need. Such agreement would not exist unless talent management initiatives are central to their culture. Only one in three participants said they didn’t have enough resources, such as technology and money, to find and develop people.



Similarly, the interviewees said talent management was a major focus for them, underlined by the comprehensive nature of their activities and own involvement. Clearly, many CEOs are playing an increasingly hands-on role in expanding and fine-tuning their talent management initiatives. The interviewees said they feel personally responsible for setting the tone for talent

management within their companies. Indeed, Mr. Majdi Abulaban, vice president and managing director of Delphi Packard Electrical/Electronic Architecture, Asia Pacific, said he is now spending 50% of his time on talent management, up from 35% two years ago when he was interviewed for *The CEO's role in talent management*, a 2006 Economist Intelligence Unit report sponsored by DDI.

Mr. Novak, chairman and CEO of Yum! Brands, Inc., said that he continuously focuses on talent management “because every opportunity is a chance to coach, develop, share what you’ve learned with somebody else, get a perspective on somebody, assess their potential, assess their development needs.” Mr. Novak says: “Any time I go into a meeting, I’m always looking at the people and thinking about what I can do to develop them, improve their skills, give them the coaching they need.”

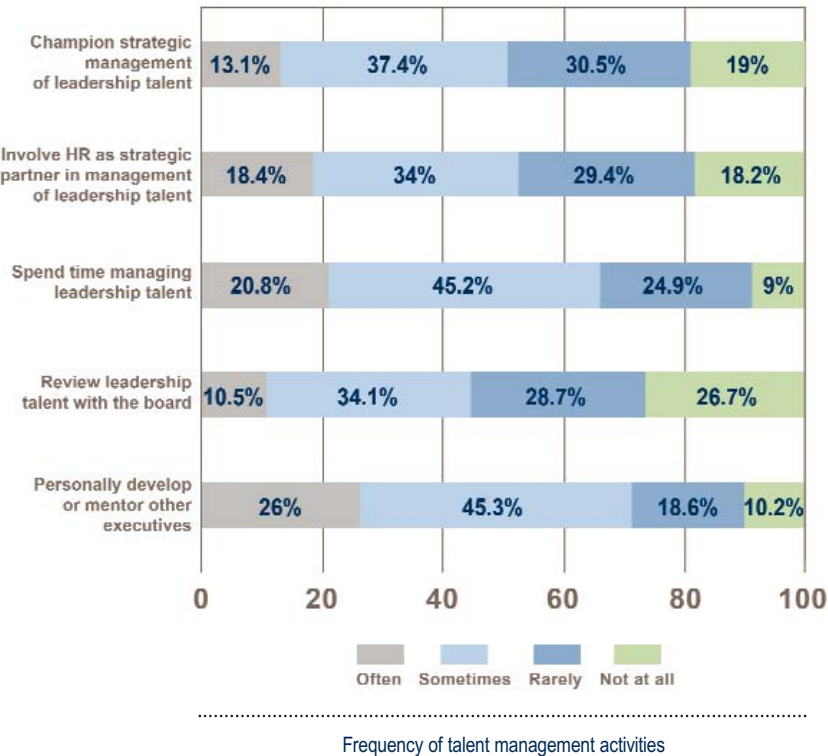
DISCONNECT BETWEEN FOCUS ON TALENT MANAGEMENT VERSUS ACTUAL PERFORMANCE

Yet the survey respondents and interviewees also revealed some troubling trends, including a fundamental disconnect between how executives rank the importance of talent management, how they rate their performance in this area, their actual involvement, and the success of their companies in developing executives.

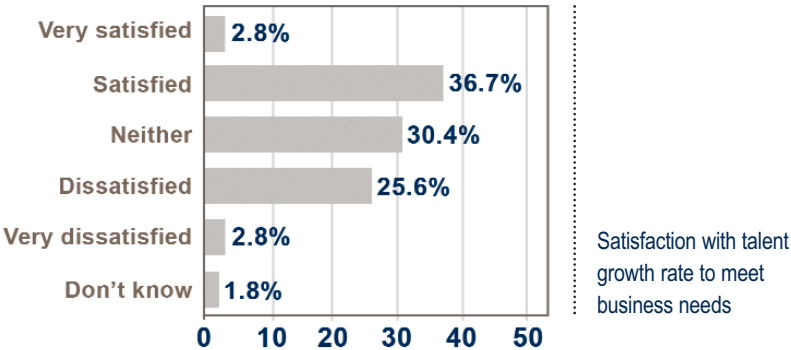
Only 3% of those surveyed said they were doing an excellent job in talent management. Another 24% said they were doing a very good job, which leaves about three in four executives who felt they had to improve.



Meanwhile, merely about one in nine respondents said they often championed strategic management of leadership talent. Only one in five said they often spent time on managing leadership talent or involved their human resources (HR) department as a strategic partner. Furthermore, just one in 10 said they often reviewed leadership talent with their board.



It’s no surprise then that only two in five respondents said they were satisfied or very satisfied with the rate at which their firms were developing talent to meet their business needs. Also, less than half the survey participants rated their current leaders and internal candidates for key positions as very good or excellent.



This comes at a time when most firms insist that they won't settle for anything less than excellence. Moreover, one in two participants rated their organization's talent strategy and formal leadership development efforts as fair or poor. About the same percentage said their organizations weren't doing a good job in linking compensation to performance.

	Excellent	Very Good	Good	Fair	Poor	Don't Know
Leaders overall	10.4%	34.9%	35.1%	15.3%	3.8%	0.5%
Internal candidates for leadership roles	3.8%	26.7%	38.2%	22.4%	7.9%	1%
HR's ability to bring in external candidates for leadership roles	2%	9.2%	31.1%	34.9%	19.6%	3.1%
Our talent strategy	2.5%	14.2%	33.8%	28.8%	18.3%	2.3%
Formal leadership development efforts	3.1%	18.7%	28.6%	28.6%	20.2%	0.8%
Early identification of talent	3.3%	13.5%	28.3%	34.2%	19.4%	1.3%
Information regarding decisions of selection/promotion	2.3%	10.9%	29.3%	35.4%	20.1%	2.0%
Link between compensation/rewards and leadership performance	2.3%	17.3%	30.5%	29.3%	18.8%	1.8%

Participant evaluations of quality of talent and talent management initiatives

Close to 55% of participants said their firms were fair or poor at identifying talent and communicating about promotions. Simultaneously, the executives interviewed said that strong talent management depends on clear communication. Potential candidates must understand where they need to improve and how they can put themselves in line for advancement. Clearly, these findings and comments by some of the executives interviewed demonstrate that companies could be doing significantly more to improve their talent and performance management systems.

What is preventing companies from adopting the right approach? Some executives in the survey attributed the problem to human resources (HR), but at the same time they acknowledged that they weren't engaging HR

enough in strategy. Others are facing intransigence in the workplace. At Aviva Asia Pacific, Mr. Machell has had to reshape the attitude of executives who are fearful that the subordinates they develop will outshine them. “People who have been around tend to be concerned about bringing people in who are better than them, who would show them up,” Mr. Machell says. He has tried to make it clear to executives that bringing in people who are excellent can “make them look good.”

MEASURES TO IMPROVE TALENT MANAGEMENT

Although each organization faces its specific set of challenges, there are some common strategies that can be implemented to improve talent management. Of course, companies must first be committed to improvement, which requires an honest appraisal of current practices. Among the main recommendations:

:: **Start with the end in mind—your current and future business needs.**

Effective talent management requires that your business goals and strategies drive the quality and quantity of the talent you need. Define what it will take for your organization to succeed globally over the next 3-5 years. Ask: Do we have enough leaders with the right capabilities to tackle these challenges? If not, how can we identify those with the greatest potential and accelerate their development? Then ask: What will be the measurable indicators of talent growth? A well-known management axiom is that “you can’t manage what you can’t measure.” Keeping the end in mind is the most central tenet to great talent management.

:: **Craft an integrated talent strategy.** Some companies follow an ad hoc approach to talent management, patching together different programs that may vary by division or region. They may achieve some success in developing leaders; however, this method lacks sustainability and may be especially inefficient for large, global firms whose success depends on their ability to set consistently high standards throughout their enterprise. Instead, companies need to adopt one comprehensive strategy, which requires senior leaders to serve not only as executive sponsors and champions of the strategy, but also as active participants in the development and growth of talent.

- :: Own talent management at the top—and at all levels.** Talent management demands that the CEO, and the entire senior leadership team, play a significant role. It is this group that must own the outcomes of talent management, much like a sales leader would own the sales growth of his or her unit. But ownership can't stop with the senior team. One executive interviewed for this report remarked that what he does with his direct team, happens with the entire organization. While the CEO and senior team must own and drive the organization's focus on talent, champions are equally essential among frontline and mid-level leaders and managers. Yet, organizations routinely thrust people into leadership roles without the requisite talent management skills. These skills include interviewing and hiring effectively, driving team performance, retaining talent, handling performance issues, and coaching and developing others. Establishing accountability and cultivating skill development are essential to sustaining ownership and ensuring long-term growth.
- :: Identify leader potential early on.** The demand for strategic leaders is rapidly outgrowing the supply, resulting in the need to identify and invest in internal leaders with the greatest potential for growth. Ensuring long-term leadership continuity requires an effective identification process that finds people who will grow into strategic leaders capable of driving business performance at the top. Recognizing that less experienced leaders with high potential do not become ready overnight, it's essential that organizations identify talent early, before the urgent need arises. This requires a routine for scanning the organization and isolating leaders who are showing a combination of strong performance and leadership potential. Providing these leaders with heightened access to key learning experiences and developmental support helps to accelerate the organization's readiness for emerging business challenges.
- :: Accurately diagnose leader skills.** There are few HR decisions more important than assessing the readiness of high-potential candidates for leadership positions. Of particular note is that this is very different from assessing potential (see above). A robust assessment helps organizations to accurately assess and develop new, aspiring, or experienced leaders relative to the ideal success profile for a particular role. With an in-depth

evaluation of a leader's strengths and development needs in hand, these deeper insights can be leveraged in several ways. In the short term, the results enable better hiring and promotion decisions, thereby increasing the probability of successful executive performance. In the mid- to long-term, assessment data can be used to target and accelerate development, so that high-potential leaders are ready when business opportunities or challenges arise.

:: Build a strong HR function. In the survey, only one in ten respondents said HR was doing an effective job of bringing in outside candidates. This corroborates evidence that by and large, HR is regarded as having room to improve its impact on talent growth. Before too quickly criticizing HR, however, it must be recognized that HR's success is dependent on its presence in an organization's business framework. Bringing the HR agenda and its stakeholders into the board room are essential elements to successful talent management. This implies a healthy tension between senior leadership, who should rightly hold HR accountable for their guidance, and HR leadership, who should rightly hold senior leadership accountable for owning the organizational goals associated with talent growth.

:: Take risks and be innovative about executive development. There are a number of new programs and tailored approaches to accelerate the development of leaders. To build strategic thinking skills, for example, some companies have employees working on real organizational challenges using an action learning approach and presenting the recommendations to the CEO. While many unique approaches are available, one thing is certain: conservative approaches yield little to no change. True talent growth requires that learners experience the excitement of new challenges, new ways of thinking, and the risk of occasional failure. With the appropriate support, these risks can pay off, and translate to new leadership capabilities.

CONCLUSION

This report began by highlighting the looming crisis associated with a lack of talent. This finding is not new. What is new is the absence of progress among so many organizations who are, and have been, well aware of the problem. Organizations are increasingly reporting that they are concerned with talent, and have talent on their radar screen. Yet there is an alarming lack of progress in actually affecting the rate at which talent is growing within organizations.

The root of the problem does not seem to be the availability of tools, programs, and processes. Neither is it that businesses do not seem to understand how leaders grow. Nor do they seem to struggle in finding initiatives that make good logical sense or in understanding what skills and capabilities leaders need now and in the future. Where organizations do struggle, however, is in the enterprise-level alignment and execution of these initiatives, and in the sustained pursuit of organization-level outcomes that result in true talent enhancements.

This disconnect appears closely associated with three things: strategy, ownership, and measurement. This report points to the need for organizations to increase their efforts to establish clear and simple strategies for how talent will be grown in their organizations, and establish equally clear and simple metrics by which progress against this goal will be tracked. Further, the specific accountabilities of leaders at all levels, starting with the CEO and his or her team, must be articulated and linked to incentives and consequences for all employees.

Organizations are reporting that business performance will soon suffer substantially due to a lack of talent. Given the centrality of talent to every organization's success, it is difficult to imagine a more pressing business imperative than to engineer a sustainable means by which leaders and associates will grow, and feed the business with the capability to conquer whatever new challenges it may face.



Company: Aviva Asia Pacific

Sector: Insurance

Revenues: \$84 billion USD (*Aviva overall*)

CEO: Simon Machell

Based: Singapore

Some CEOs believe their most important contribution to talent management is setting the tone for the organization. This is the strategy of Aviva Asia Pacific, one of four main regional divisions of the British-based insurance company.

Aviva has done business in Australia for roughly a century. But only earlier this year did the firm create a formal regional unit for the Middle and Far East, where it has rapidly growing interests. Aviva Asia Pacific launched last July and covers eight countries, including Australia, China, Japan and India. Aviva Asia Pacific CEO Simon Machell oversees more than 15,000 employees spread over this massive territory. Mr. Machell strongly believes that the success of his organization will depend to a large extent on his ability to cultivate strong managers who can assume more senior roles as Aviva Asia Pacific continues expanding.

At this early stage, he's relied heavily on outside recruiters to find executives who can help the company immediately. He has already begun providing formal programming and more casual methods to groom some of these executives. Mr. Machell spends about 20% of his time on talent management and mentors several executives.

Yet he sees his larger role as setting the right climate for talent management, namely ensuring his executives understand the importance of finding and developing employees for future, better jobs in the company. He says that some executives don't commit fully to talent management because they don't relish the notion that a subordinate may outshine them, even leapfrog them to promotions. "One of the biggest obstacles to talent management is attitude," Mr. Machell says.

He plans to tie promotions and other rewards to his team's ability to lead and develop talent. "If the culture sees that you get rewards and progress onwards by developing good people, then that very quickly becomes a way that things get done here," he states.



DELPHI

Company: Delphi Packard, Asia Pacific

Sector: Auto parts and equipment

Revenues: \$26.4 billion USD (*parent company*)

Managing Director: Majdi Abulaban

Based: China

The importance of talent management has increased at Delphi Packard, Asia Pacific since Managing Director Majdi Abulaban was interviewed for *The CEO's role in talent management*, a 2006 Economist Intelligence Unit report sponsored by DDI. With its explosive growth in an expanding market, Delphi Packard, Asia Pacific has been a bright story for Delphi Corporation, its parent company. Since 2006, the firm has increased from about 8,500 to 13,500 employees and 10 to 14 plants with plans to add another four plants by the end of this year. "We're growing very fast," Mr. Abulaban says. "In Asia, we're looking for our business to double in size in less than five years. That's the growth engine for our company."

Yet the growing economic powerhouse still lacks experienced managers. Companies are competing hard for the limited supply and have even shown a willingness to poach from competitors. That's put the onus on firms to develop executives from within their ranks and keep them motivated. Indeed, Mr. Abulaban says that pay packages for experienced native executives in some positions may average about 25-30 percent more than for foreign-born ones.

But pay alone isn't enough of an incentive, says Mr. Abulaban. Employees are seeking opportunities to develop new skills and gain promotions. As such, Mr. Abulaban is spending more than half his time on talent management, including the mentoring of promising executives. That's up from about 30 percent in 2006. He sees a strong connection between talent management and his firm's performance and believes that it's important for the top executive to set the right tone for the rest of an organization. "I'm constantly

talking to my people about how they're running their businesses and about their employees," he says. "More than 50 percent of our time is again looking at the talent and how we're progressing, and in a growing region, looking at accountability and stepping up areas where we have not made the right choices, put the wrong people in the wrong place. We are totally focused on retaining what we have and spending more time looking inside our middle to lower management teams to incentivize them to stay and give them the right opportunities for development. We spend a tremendous amount of time on that to ensure that we have the right pipeline."

His approach has largely paid off. For example, five executives whom he hired and nurtured through the middle ranks over the past 11 years in 2007 joined the company's most senior ranks. And attrition has been low among his inner circle of 11 executives, 16 plant managers, and about 10 other high-level executives.

Delphi Packard, Asia Pacific continues to use a range of formal and informal approaches to development that include mentoring and stints at prestigious executive training programs. The company continues to base part of its performance reviews on managers' ability to cultivate and retain top talent. The most senior executives must each list four or five executives whom they will mentor. If a key subordinate leaves, a senior executive must buy the rest of the group dinner. Mr. Abulaban himself meets regularly with the plant managers on site.

But Delphi Packard, Asia Pacific's success in talent management has also stemmed largely from its willingness to hand its promising executives increased responsibility and to stretch them into positions before they might seem ready. "I've continued to be convinced that the way to run the business is to continue to push responsibility down to the working level and empower, empower," Mr. Abulaban says. But at the same time, he says that this can only work because the company has created an atmosphere where managers can evaluate the performance of their subordinates frankly.

"You're holding people accountable for their decisions and the empowerment you've given them," he says. "If you're asking people to be honest, you build trust. Trust is a prerequisite for mentoring, and at the end of the day, our business is about people, getting the right people in the right place and mentoring them."



GE Healthcare

**Company:** GE Healthcare**Sector:** Medical devices**Revenues:** \$17 billion USD**CEO:** Joe Hogan**Based:** United Kingdom

For GE Healthcare Chief Executive Officer Joe Hogan, few events are more dangerous for companies than replacing successful executives. Mr. Hogan and his team spend a significant amount of time assessing and training staff to ensure there are ready replacements whenever a key opening occurs.

“When you leave a major leadership position open in a vacuum, it’s incredible how performance can suffer,” he says. “What’s important is when you have a loss of a leader that you find a very capable leader to put in as soon as you possibly can because it’s a disruptive time for a team. It’s important to have a good leader named when that transition takes place.”

GE has long tied its success to the ability to develop great leaders throughout its wide-ranging divisions based across the world. Its much admired former CEO Jack Welch spent his entire career at the company, and handed off responsibilities to one of his protégés, Jeffrey Immelt, who now has had the reins for nearly five years. Many of the company’s other senior positions are filled by GE veterans and others who have been groomed through the company’s famed talent management programming. Several senior executives have been hired away to head some of the world’s most recognizable companies, including 3M, Home Depot and Fiat.

Even companies that find ready replacements quickly may struggle during the period of transition. “Leadership changes are something I constantly worry about because I’ve known how many times those kinds of changes have affected the overall financial or strategic performance of our business,” he says.

With some of GE Healthcare's fastest growing markets overseas and more than half its employees based outside the parent company's US base, Mr. Hogan faces special challenges in lining up the right managers. These executives must be steeped in GE's way of doing business and possess a global perspective. They also must understand specific country and regional business conditions. For example, executives in the Middle East must possess a keen sense of the interaction between government and private enterprise. "You have to understand how customers are different, how employees are different, how expectations are different in different geographies, and not just project an American or Western mentality on a truly global market and global talent," Mr. Hogan says.

The parent company itself will nudge promising executives toward foreign assignments or those that will help build international experience. GE is also famous for its close monitoring of managers' progress to ensure that executives are ready for the next step. Its Session C process reviews potential back-ups for all major positions every year.

The company is willing to stretch its executives, asking them to grow into positions that seem slightly beyond their skills. From these assignments, GE Healthcare and other major divisions can determine if someone has the right leadership skills to continue advancing. Mr. Hogan particularly looks for people who can motivate employees, stay cool under pressure, and possess personal integrity.



The HCL logo, consisting of the letters 'HCL' in a bold, blue, sans-serif font.

Company: HCL Technologies

Sector: Software

Revenues: Rs. 6715 crores (\$1.65 billion USD)

Founder and Chairman: Shiv Nadar (*formerly CEO*)

Based: India

Since HCL Technologies' founder Shiv Nadar was interviewed for *The CEO's role in talent management*, a 2006 Economist Intelligence Unit report sponsored by DDI, much has changed. Revenues at the India technology company have hit \$1.5 billion, up from about \$750 million in 2005 (fiscal year ending June 30) and the workforce has soared from 28,000 employees to 46,000. The company is expanding overseas and competition for domestic talent has intensified among the country's fast-growth companies, venture capitalist, and private equity firms.

Meanwhile, Mr. Nadar, one of the stars of India's technology boom of the past decade, relinquished his CEO role to his trusted lieutenant Vineet Nayar. Mr. Nadar himself is now chairman and chief strategy officer, positions from where he oversees product innovation, but he also remains a highly visible figure relative to talent management. From his start as an entrepreneur and business leader more than two decades ago, Mr. Nadar has made talent management a priority, linking the quality of his products and services, which are used worldwide, and financial performance to his ability to hire and develop his workforce. Mr. Nadar laid the groundwork for a systematic approach to identifying promising executives—the leadership cadre is now about 1,000 strong—and providing the resources to cultivate them so they would stay with the firm. He wanted to create a ready pool of native executives that would make it easier for the company to fill positions rather than to seek outsiders, who might not be interested in moving to India. He also felt Indian-born executives would understand the company's business culture. This foresight had one other benefit: As India's economy blossomed, retention of native executives has been a difficult problem for many firms.

In its entrepreneurial climate, HCL has continued to value thinkers able to adapt quickly to changes in the technology market. It uses personality tests to measure leadership potential and regular 360-degree performance reviews in which subordinates as well as superiors evaluate management skills. A more recent “employee first, customer second” initiative has made the evaluation process “more transparent,” Mr. Nadar says. For example, the evaluations of the CEO and other senior executives are available to employees. “It’s put on the Internet for all direct employees to see,” Mr. Nadar says. “As we are growing bigger, we are looking for leadership’s engagement for the company to be even higher.”

Although the company looks first and foremost at financial results, it also considers, among softer areas, its executives’ ability to foster talent within their own groups. Mr. Nadar says that international experience will be increasingly important as HCL grows in Europe, Asia and North America. Depending on the market, the company may rely more on locals or mix them with Indian executives.

The company uses a raft of development programs both on- and off-site to help managers hone their skills and mentoring methods. Yet Mr. Nadar believes some of the most productive encounters for development take place on an impromptu basis. He sees some of his executives socially and encourages his subordinates to do the same.

The firm has also been ready to push promising executives into positions of higher authority to stretch them and test their potential for even bigger jobs. Such challenges coupled with HCL’s programming and an increase in the number of people receiving stock options are designed to create high employee satisfaction and retention.

The assignment of Mr. Nayar to succeed him typifies HCL’s approach to talent management. Mr. Nayar joined the firm as trainee and was quickly identified as senior management material. He held positions of increasing authority before becoming president almost three years ago and finally CEO. “There is a pre-planned method,” Mr. Nadar says. “He was chosen for a fast-growth path.” He adds: “You have these really talented people who have stars written all over them (and) have been set aside for growth early on.”



Company: Manpower

Sector: Staffing

Revenues: \$20 billion USD

CEO: Jeff Joerres

Based: United States

Companies that are growing rapidly in many different regions may face a particularly daunting challenge when it comes to talent management. They must find and develop executives who embody their culture and can navigate unique business climates. Even a firm with many talented managers may only have a limited number of people who have the right combination of language and skills to succeed in another part of the world. Also, conditions can change drastically in a short amount of time. The wrong choice can hamstring progress in a growing new market, allowing competitors to seize the upper hand.

Take Manpower, a Milwaukee-based staffing firm. Since 1999, the year that 47-year-old Chief Executive Officer Jeff Joerres assumed his position, company revenues have more than doubled from \$8 billion to more than \$20 billion in 2006. Much of that growth has been overseas. The company now has operations in 78 countries. This required Manpower to triple its senior management positions from 50 to 150 and increase the responsibilities of more established positions within countries.

“Running a country and then having to run a different size country or function can sometimes be a more dramatic change than what we would like on the organizational chart,” says Mr. Joerres. “Every day we are challenged with how do we give our people the experience and exposure to move up in the organization or grow themselves.”

Manpower uses headhunters to bring in new talent. But the firm has also bulked up its management program to include more frequent, detailed assessments and formal training. Manpower's senior executives annually assemble for a three-day program that focuses largely on leadership issues. But perhaps more importantly, the firm has tried to establish a more informal, running dialogue between promising managers and their superiors. Mr. Joerres says that these interactions have freed executives to speak more openly about the problems they're facing, which helps the firm pinpoint weak spots. "I think we have tried very hard and have succeeded about having the right discussion on a continual basis," Mr. Joerres says.

But Mr. Joerres is also keen on stretching executives into new roles. That is, he believes in pushing promising managers into jobs that might ideally require a fuller set of skills or experience than what the manager currently has. He says such moves can be risky. If someone is truly unprepared, it can be problematic. But often such promotions succeed because talented executives have the intelligence to grow into the role. "I think development only occurs when you put people in assignments that offer a stretch, and that could be a bigger job or it could be a lateral job in something very different," Mr. Joerres says.



Company: Orica

Sector: Mining

Revenues: 5.5 billion AUD (\$4.8 billion USD)

CEO: Graeme Liebelt

Based: Australia

As it has expanded, Australian firm Orica has found talent through both acquisitions, but also through internal promotion. Take its recent purchase of Dyno and Minova, deals that bolster Orica's business interests throughout the world. Orica filled the most senior positions at the new units with Dyno executives, but the majority with managers from Orica. For each job, Orica went through a rigorous vetting process to find the best person.

The company's CEO Graeme Liebelt has noticed a trend to fill more positions through outside recruiting. Mr. Liebelt's biggest challenges include ensuring the company is allocating enough resources for talent management and balancing those resources between recruiting and development. "That tension between the resourcing that goes into development of our people versus directing resources to other places is always there," he says. "It's a pretty constant battle trying to both recruit and retain people," he adds.

Ideally, Mr. Liebelt would prefer promoting from within. "I say that having now been in business for 30 years, every year that has gone by has made it clearer to me that developing people is the key thing," he says. "It becomes clear that as a leader of an organization you obviously can't do everything yourself. Your real power comes from your ability to influence others to do the things that you think are the right things to do." He says that his management team is "persuaded by research that says good leadership leads to the establishment of the right climate of commitment and that turnover in organizations is often related to poor management."

Twice a year Orica assesses its executives in writing. The company uses these evaluations to shuffle and reshuffle its succession plan for key positions. Orica values executives who can think strategically and are unafraid to make changes when market conditions dictate. The firm also measures its leaders on their ability to develop people. Mr. Liebelt sees international experience as a huge advantage for more senior jobs that may cover much of Orica's wide-flung interests.

To shore up weaknesses, Orica offers a range of formal development programs for managers at all levels. At the top of the ladder, the firm sends its most senior executives to Harvard or other top universities worldwide for six- to eight-week training programs. Mr. Liebelt says the company can also improve the gender diversity of its management team.



Company: Shire Pharmaceuticals

Sector: Pharmaceuticals

Revenues: \$1.8 billion USD

CEO: Matt Emmens

Based: United Kingdom

Some fast-growing companies simply don't have the time to create the succession strategy they will need. Over the past four years, UK-based Shire Pharmaceuticals has hired more than 2,000 people, more than doubling its workforce. Shire has focused more on adding enough employees to manage its growth than pinpointing ready replacements for the drug company's eight-person, senior management team or creating talent management processes.

Shire CEO Matt Emmens has back-ups for about six of his inner circle. "The company has grown rapidly and we have just gotten into gear internal support for growing our own talent," Mr. Emmens says. "The change and growth that has happened in the company makes you focus on the things that are going to keep the wheels on the bus and you may miss some things that you should be doing all along. That's not to say we're not already doing a number of things that are moving our business model forward. I think that we're coming up to speed now, but like any evolving organization we have suffered a bit during those periods of change. It's not like an ongoing business like a GE where everything has been going on for 100 years and it's evolved. We're basically inventing and adapting as we go along," he says.

Yet Mr. Emmens doesn't believe this shortcoming will hurt business, at least not in the short term. With a number of larger pharmaceutical and biotech companies having downsized in recent months as their blockbuster drug patents expired, Mr. Emmens says that there's a large pool of talented managers who are looking for work or at least willing to entertain offers. However, Mr. Emmens adds that "while we are actively recruiting top talent, I'd rather promote from within."

The company has been making strides in creating a talent management program that includes formal programming, individual development plans for promising executives, short-term assignments to help employees develop new skills, frequent collaboration between different teams, access to an executive coach from outside the organization, and the assignment of a pharmaceutical veteran as head of leadership development.

Shire looks for executives who are smart and can “keep an even keel,” Mr. Emmens says. But above all, Shire seeks people who are entrepreneurial, that is, they’re willing to take initiative without someone giving them direction. Shire also values those who are adaptable and can conquer the skills needed for often vastly different jobs. “There are types of people that you say ‘Here’s a book, and read the book, and do what the book says,’” Mr. Emmens says. “Then there are others who you can throw into the job [and] that type of person comes back and says, ‘Here’s how you do the job. Here are the things I don’t know and am going to work on.’ Within six months or a year they are pretty much up to speed. I call those types of executives my Swiss army knives. They’re ready to take on anything and learn.”



Company: Yum! Brands, Inc.

Sector: Restaurant/hospitality

Revenues: \$9.6 billion USD

Chairman and CEO: David Novak

Based: United States

Mr. David Novak feels especially strong about the importance of developing promising executives. The chairman and CEO of Yum! Brands, Inc., which includes such well-known restaurant chains as KFC, Taco Bell and Pizza Hut, owes his success partly to managers who took an interest in him, providing choice assignments and promotions earlier in his career. Without this, it would have been difficult for Mr. Novak to advance up the ranks and become CEO after Pepsi spun off the company. Confident by nature, he was willing to stretch repeatedly for opportunities a little beyond his experience and skills.

Mr. Novak, who wrote about his ascent in *The Education of an Accidental CEO*, sees a powerful link between the quality of leadership and his organization's success. His senior executives have to set the right tone and that means developing managers who buy into the company's customer-centric philosophy and will be ready to assume higher roles as expansion occurs.

The company's revenue growth, especially in new overseas markets, offers evidence that Mr. Novak's philosophy is working. For example, in the hotbed of China, Yum! Brands, Inc. has a team of executives who started together before the Pepsi spin-off. "And they're very focused on growing the talent underneath them," he says. "We're in good shape in terms of developing the next generation."

The company prefers to have executives overseeing operations in their own countries. "We think the best way to run a business in Russia is to have somebody from Russia running it because they know the culture, the government, the real estate issues, the language—something as simple as that

has a major, major impact in terms of how successful you are,” he says. International business experience, he continues, is helpful for many of the company’s regional or global jobs. “The broader your responsibility, the more diverse your experience obviously comes into great advantage,” Mr. Novak says.

He is so deeply involved in the company’s talent management that he refers to himself as chief talent officer. He writes assessments for 11 of the 20 people in his most senior management team and tracks the progress of more than 300 other Yum! Brands, Inc. executives. He’ll try to meet individually with what he calls “high-potential people...close to 100 people that we feel can go a long, long way in our company.”

The company’s executive development program includes evaluations based on input from subordinates and more senior personnel and then follow-up meetings with supervisors to shore up weaknesses and map out goals. “Every individual walks out of that meeting with an agreed-upon development plan for how they can take their performance to the next level,” says Mr. Novak.

But Mr. Novak is perhaps most proud of the multi-day, leadership program he’s been teaching since its launch more than a decade ago. Entitled “Taking People With You,” the program addresses such topics as the importance of communication skills to groups of 50-100 employees. Mr. Novak not only looks for executives with strong analytical skills and the confidence to make changes quickly, but also the ability to motivate employees. “The thing that differentiates people is that they’re not only smart, they’re smart with heart,” he says. “The heart part is that ability to take people with you and inspire you. If you’re smart and you can’t take people with you in a big organization that’s people-driven, you’re dead in the water.”

But in judging leaders, Mr. Novak has one larger litmus test. “I always ask myself, ‘Would I want to work for that person?’ And when I can say yes to that, then I know I’m looking at someone who can inspire and develop me and make me better.”

DEMOGRAPHICS *(Totals may not add up to 100% due to rounding.)*

RESPONDENTS = 412

GEOGRAPHIC REGION

Western Europe	30.5%	North America	30.2%
Asia-Pacific	29.5%	Eastern Europe	9.6%
Latin America	0.3%	Middle East/Asia	0.0%


TITLE		
Board member	13	3.3%
CEO/President/Managing director	58	14.7%
CFO/Treasurer/Comptroller	22	5.6%
CIO/Technology director	12	3.0%
Other C-level executive	16	4.1%
SVP/VP/Director	63	15.9%
Head of Business Unit	37	9.4%
Head of Department	54	13.7%
Manager	99	25.1%
Other	21	5.3%
Total	395	100.1%

ANNUAL GLOBAL REVENUE IN US DOLLARS		
\$500m or less	134	33.8%
\$500m to \$1bn	44	11.1%
\$1bn to \$5bn	61	15.4%
\$5bn to \$10bn	43	10.9%
\$10bn or more	114	28.8%
Total	396	100%

FUNCTIONAL AREA		
General management	149	36.2%
Strategy/business development	139	33.7%
Finance	88	21.4%
Marketing and sales	85	20.6%
Operations/production	72	17.5%
Risk	61	14.8%
IT	54	13.1%
Customer service	37	9.0%
R&D	36	8.7%
Information/research	33	8.0%
Procurement	17	4.1%
Legal	16	3.9%
Supply-chain management	16	3.9%
Other	15	3.6%
Total	818	198.5%*

*Total exceeds 100% as participants could choose up to three functions.

PRIMARY INDUSTRY		
Financial services	130	32.6%
Professional services	40	10%
IT and Technology	36	9.0%
Healthcare/pharmaceutical/biotechnology	31	7.8%
Telecommunications	23	5.8%
Manufacturing	20	5.0%
Consumer goods	19	4.8%
Energy/natural resources	14	3.5%
Entertainment/media/publishing	14	3.5%
Government/public sector	10	2.5%
Chemicals	9	2.3%
Transportation/travel/tourism	9	2.3%
Construction/real estate	8	2.0%
Education	8	2.0%
Logistics and distribution	7	1.8%
Aerospace/Defense	6	1.5%
Agriculture and agribusiness	6	1.5%
Retailing	5	1.3%
Automotive	4	1.0%
Total	399	100.2%



“I say that having now been in business for 30 years, every year that has gone by has made it clearer to me that developing people is the key thing.”

Graeme Liebelt, CEO, Orica

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