

# **Leadership Assessment: A Key to Accelerating Talent Development and Reducing Human Capital Costs**

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## Leadership Assessment: A Key to Accelerating Talent Development and Reducing Human Capital Costs

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### Setting the Stage

*Talent management is one of the greatest challenges and critical business priorities facing companies today*

The “war for talent” is an often heard mantra of today’s CEOs. This issue was identified as early as 1997 when McKinsey conducted War for Talent research. They cited that there would be an “imminent shortage of executives.” Since then, it appears that this perspective has borne itself out. It is hard to pick up an article on Human Resources or Leadership Development without a discussion on finding, developing and retaining top talent. In addition to a dearth of executives, Russell Reynolds’ research indicates that “the demand for qualified workers in all industries is going to continue to outstrip supply for the foreseeable future” (Russell Reynolds Associates’ Series, 2008). Additionally, Joseph Bower cites in his research with 1,380 HR directors that 60% responded their firms had no CEO succession plans in place (HBR, 2007).

Search firms are also indicating that the demand for *talent managers* has increased over the last five years. In fact the job role, talent manager, only came into prominence within the last five years. Unfortunately, it is often difficult to find people with the diverse skill sets needed to meet the demand for talent managers (Russell Reynolds Associates’ Series: Issue 2, 2008). Companies now are looking for HR professionals to serve as talent managers with broad HR leadership skills and the ability to focus on the talent and cultural aspects of an organization. These talent managers are tasked with helping to identify, assess, cultivate and deploy the human capital of the organization and are less involved with the more tactical aspects of HR such as compensation, benefits and HRIS. Towers Perrin has shown, as have others, that effective talent management practices and culture initiatives have a positive link to business results.

*Smart companies recognize the importance of building bench strength today to prepare for future opportunities*

Even in today’s tough economic times, identifying, developing and retaining talent remains a significant area of focus for many forward-looking companies. In fact, the really smart companies recognize the importance of engaging their talent now so that they can build their bench strength for the longer-term. This desire to have the best leaders requires a shift in how HR professionals do their jobs. This “war for talent” even in tough times is going to require HR professionals to be much more strategic and informed about the existing talent in the organization, as well as the emerging talent needs of the business. HR



*Objective leadership assessment  
offers a key lever to maximize  
Human Capital*

professionals will need to know their “people portfolio” and be able to segment their “portfolio” and build strategies to attract, develop and retain these diverse segments of the organization. To accomplish this daunting task, companies will have to be incredibly accurate in their abilities to assess talent. It will be critical for HR to become more analytic and scientific in leveraging data rather than rely on traditional methods that tend to be rooted in subjective measures of talent. The critical importance of applying greater rigor to better understand the overall talent portfolio will be essential to making the financial business case for cultivating a talent-rich company environment.

Additionally, in order to weather the challenging times ahead, companies and HR professionals are going to need to be extremely focused on where to best spend their dollars to maintain their talent. It is important during the difficult times that companies maintain their brand and focus on development. But, they must be very clear on where and how they are going to get the most pay off to keep their talent fresh. Objective executive assessment linked to the strategic requirements of the business will help drive alignment, efficiency and productivity for the company.

Too often in difficult times, companies retrench. According to BusinessWeek (March, 2009), this is the wrong strategy. Companies need to be more creative, more focused and rethink the way they look at their human resources and develop human capital. This is an opportunity to redirect old models of HR and revitalize those that were never taken seriously during flush times. To this end, executive assessment can and should be a strong strategic weapon. If you believe that leadership is a key lever for any organization, now is the time to get started on understanding leadership in a systematic and cost-effective way.

## **Getting Started**

### Step one:

*Conduct a talent management  
strategy audit to identify gaps*

What is your philosophy and strategy about talent and leadership? Do you believe that leadership is critical to the company's current and future success? Do you believe in developing talent internally or do you hire all senior leaders from the external marketplace? Do you have strong succession plans in place and do you know what your talent gaps are? Your company strategy relative to talent will be important to articulate before you get started on creating your assessment protocols and methodologies. In addition, take a look at the short and long-term strategies of the business. What types of leaders will be needed in order to fulfill the vision of the business and produce superior results today and in the future? Do the current processes for talent management meet the needs of the business, or are there gaps? If there are gaps, where are they? By answering these questions prior to launching your assessment protocols, you can ensure alignment between business strategies and human capital strategies.



*Senior leadership engagement is critical to talent management effectiveness*

#### Step two:

If you have not already done so, it is important for you to define the characteristics of the leaders that you need in the future. What is the profile that you believe will lead to your company's success? This profile should be developed with input and language from your senior executives and aligned with your business strategy. It should be owned by your senior executives and part of what they believe will be the critical competencies for leadership and business success. These competencies need to have stretch so that they reflect not only what is important today but also what will be critical for the future. If your senior executives have already established leadership terms and values that they communicate throughout the company, it is worth the effort to incorporate these familiar terms into the leadership competency model and the assessment strategy. Too often, companies have one set of leadership values that the senior executives talk about and another set of competencies that are used for executive assessment. This adds unnecessary complexity to the topic of leadership and often confuses the leaders in the organization as to which set of terms is most important.

#### Step three:

*Clearly define what "great" looks like in behavioral and measurable terms*

Once you have developed the critical leadership competencies for success, it is essential to understand what those competencies look like when they are at their best. This gives you a barometer and a scale against which to measure your executive and leadership talent. A scale that clearly describes what each competency looks like at its best as well as at its worst needs to be defined in visible and observable terms. Operational definitions should be created that make clear what is expected and should be presented in a manner that the business can understand. These definitions will be important as you move through the assessment process because it will give you the basis not only to measure capability but also to provide concrete actionable feedback. The results of this step will be an array of behaviorally anchored scales that will become the protocol for your assessment strategy; whether you are assessing external job candidates, high potentials for development or promotion, or all executive leaders as part of the performance management and talent upgrade process.

#### Step four:

Now you must develop your assessment methodology. A few questions to consider:

- What is the purpose of the assessment process (talent identification, development, talent upgrading)?
- Who will be assessed—all executives, just your top talent, etc.?
- How will you communicate the initiative to the organization – is this about development only or performance feedback as well?
- Which senior executives will serve as sponsors for the initiative?
- What methodologies will be used to conduct the assessments?



- What will participants receive – feedback report, coaching, etc.; how will the participant receive their feedback and how will their manager be engaged?
- What will the participant be required to do after receiving the assessment results (development planning accountabilities, training courses, etc.)?
- Who will have access to the assessment data – confidentiality issues?
- What follow-up will you provide and how will you track progress over time?
- Who will do the assessments – internally, externally or combination?

*Be transparent about assessment purpose and process*

Whatever approach is taken, it is of the utmost importance to communicate the process in a straightforward, transparent manner. This will ensure that everyone involved in the assessment protocols understands how the data will be collected and used by the organization. It will also increase trust for the entire process.

#### Step five:

Once the above is in place, you are ready to launch your strategy. It is important here that you have a consistent, reliable and repeatable approach. This will enable you to compare and analyze your population methodically. You are now ready to launch the actual assessment process.

### **Expected Outcomes**

There are three levels of outcomes that can be effectively leveraged from a rigorous assessment strategy – the individual, the team or business unit, and the organization levels.

*Executive assessment data has benefits at the:*

- *Individual Level*
- *Business Unit Level*
- *Organizational Level*

At the individual level, the participant perhaps for the first time has clear actionable feedback against which to develop a career plan and an opportunity to speak with a coach to help construct a specific, development action plan. Additionally, they have an opportunity to understand what it will take for them to progress in their current organization and what they need to invest personally in order to prepare for possible promotions. This alone can be a significant step in retaining and engaging employees. A recent exit interview study conducted in a large conglomerate showed that employees who left the company voluntarily cited the primary reason was “they were not clear on their career steps and had no career conversations.” As one employee put it, “I did not think anyone cared about my career.”

At the business unit or team level, a full assessment of leaders can show what skills are strengths and what skills are missing that are necessary for the business strategy to succeed. This is powerful information because it then becomes clear what skills will need to be developed and what skills can be leveraged. For example, if a business unit is trying to launch a new business line and they find they lack customer related



*Assessment data can be aligned with the business strategies and plans to create a competitive advantage*

*Identify which leadership values and competencies most correlate with business strategies and bottom-line metrics*

skills, they may have a difficult time getting traction. In another case, a team may find that they perhaps lack execution skills or operational skills in a business that requires on-time delivery and error-free work. A snapshot of the overall leadership within a business unit or team is the cornerstone for any talent management initiative. The unit gets a clear picture of its capabilities and can then develop a specific roadmap for how to close the gaps between today's talent and the talent needed to execute the business unit's strategies; specifically, what skills need to be brought in from the outside, what talent they need to export to other parts of the business and what hidden jewels may exist that are not being leveraged.

At the organizational level, rigorous assessment data is perhaps at its most powerful. Here one gets a total view of the characteristics of leaders who are successful in the current organization, and why some leaders who are successful today may need significant development in order to deliver results in the future. This for many can be a big eye-opener. For example, if you hire and only value execution, and the emerging business environment requires innovation for growth, this can be a big wake-up call and cause you to rethink your overall talent and human capital strategy. On the flip side, you can create a clear and objective profile of the types of leaders that you need to cultivate and promote in order to build sustainability and ensure alignment of talent to the strategic roadmap of the business. This can become invaluable information to sharpen your saw around searches and succession planning. Additionally, you will have significant data with which to examine the statistical relationships between leadership competencies and performance. Here again, you can see areas in a business that may not be as strong as others. This can help to readily identify development needs and provide data that supports making swift decisions regarding talent. To illustrate, a Fortune 50 company identified a significant talent gap in their marketing organization. They immediately embarked on an aggressive talent acquisition strategy to fill the most senior roles and developed pipeline programs to upgrade and build the overall capabilities of the entire function.

These assessments can tell you which types of behaviors and skills will do best in which business circumstances; and if your performance management systems and other feedback mechanisms align and reinforce the behaviors and skills you require. At the organizational level, you also begin to get a clear picture of what type of culture your company values. You may or may not like the picture, but it gives you a baseline against which to drive change and measure improvement. Conducting assessments, tracking and statistically validating results can be leading indicators of the overall health of your work force.

This data also provides areas of focus for on-boarding new executives so they can come up to speed more quickly in the new culture, and can be valuable in deploying people with unique skills or styles to be positioned for success; even if their skills are different from the prevailing culture. You can also better align your training, development and talent movement processes to the skills required not just for today, but for the future.



*A well-designed and executed executive assessment strategy can lead to reduced costs in hiring, training and unwanted turnover*

## Results that Matter

One clear result is that your training dollars will be spent primarily on those skills most correlated with executive success. Development plans can be designed to be specific, tailored and relevant for each executive. New assignments and job rotations can be identified to systematically provide executives with the experiences and exposures they need in order to hasten development and add value to the company. Clear talent road maps can be put in place to drive actions that are measurable and can be tracked to show progress from the initial assessment base line to your ideal state. Again, a forward look at progress, if done well, can reduce your executive search costs, increase retention rate for new hires and ensure that you have a succession pool ready to move into open positions reducing “time-to-fill” significantly. All of these steps remove costs out of your human capital operation and add value to your company’s game plan for winning the “war for talent.” So what are you waiting for? The investment in assessment can be a significant game-changer and significant cost reducer, while also giving you the tools to engage your work force at a time when it is important to keep your talent – and enhance that talent after the upturn. Now is the time to invest, but invest smartly and on the right things; the things that position you to win the “war for talent.”

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