



THE FUTURE IS FLUID

CEOs' views on their talent management challenges and PA's response

KEY FINDINGS

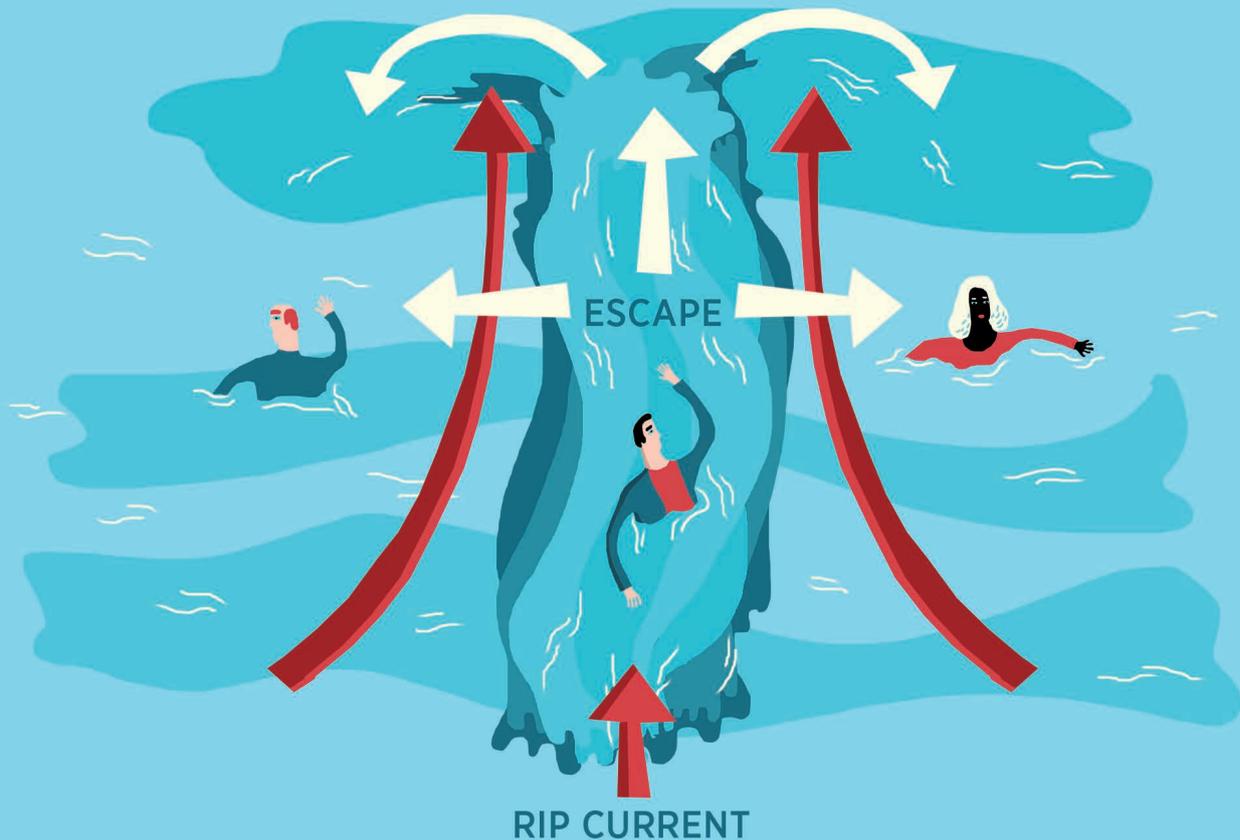


These 'key findings' are part of a series of research reports published by PA Consulting Group into talent management. The insights gained through our continued research underpin the consulting services that we offer in talent management. To enquire about the full 'The future is fluid' research report, or to discuss running a tailored workshop that explores its implications in your organisation, please call us on:

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All data enclosed was accurate at the time of publication.



A swimmer caught in a rip current will instinctively try to swim back to shore. But this instinct is wrong – a powerful rip current is too strong to swim against. To make it to safety, the swimmer needs to do something different – either to swim parallel to the shore, out of the current’s pull, or to float with the current, which may eventually bring him or her back to the shore.

Organisations caught up in powerful currents of change feel the same instinct to reach for tried and trusted talent management strategies. What has worked for them in the past should work now, shouldn’t it? We don’t believe it will. Our recent research with CEOs shows that current approaches to talent management are no longer delivering results.

In this key findings report we share the insights from our research and introduce Fluid Talent Management™ as our solution to the ‘rip current’ of the current volatile business environment. Fluid Talent Management™ introduces new ideas and approaches. It also recognises that some of the established principles and techniques of talent management still hold good – but that we need to use these in a new way to survive and prosper wherever instability and uncertainty threaten. At its core is a fundamental change of mindset that, much like floating in a rip current, will see us embracing the counter-intuitive to make sense of the unexpected.

About this research

To find out how well current approaches to managing and developing strategic talent are delivering, we spoke to 71 CEOs¹, using one-to-one, semi-structured interviews to gather qualitative data on CEOs’ perspectives around talent management within their organisations. We also gathered quantitative data through an online survey with participating HR directors. This gave us an insight into their current beliefs on talent management, where they aspire to be in the future and the progress their organisations have made against core elements of talent management.

“Everything comes back to talent management. Financial performance is driven by talent, as it drives momentum within the business.”

ALISTAIR COX
HAYS PLC

1. Interviews were conducted with the CEOs or the equivalent representative from each organisation. In the minority of instances where the CEO was unavailable, the interview was conducted with a member of the Executive team.

Securing talent in an unpredictable world

Uncertainties and inconsistencies still plague the quest for excellence in talent management. For example, while 63% of CEOs aspire to a talent management approach that drives a high performance organisation, just 15% believe they have one that comes anywhere close.

Critically, organisations are also still divided on key considerations such as how to define strategic talent, how to measure success, whether to be transparent about ‘who is talent?’ and even on ‘who actually owns talent?’.

This tells us that despite focus, attention and commitment, the current approach is not working. And as volatility and uncertainty in the business environment increases, the pressure on existing talent management techniques is likely to grow. We believe it is time to take a fresh look at these techniques and tools and adapt them in a way that makes sense for organisations as they face unprecedented volatility.

Constancy won’t curb volatility

The inventor of the first electrically cooled air-conditioning system was quite possibly unaware of the impact his brainchild would have. Designed originally in 1902 to solve some problems in the manufacturing process of a printing plant, air-conditioning now delivers a constant, temperate environment wherever human discomfort is likely.

But here’s the rub. Even as we sit in our perfectly cooled or warmed, constantly comfortable environment, the weather outside continues to be as volatile as ever. You know that feeling when you step outside an air-conditioned building on a really hot day and the temperature hits you like a body blow? That is volatility winning over constancy.

The rate of change today is undeniably different – and faster – than ever before and this is being felt by our research participants. In place of a gradually evolving environment for business, we are seeing the emergence of ‘disruptive realities’ – new ways of seeing

and understanding the world that cause us to rethink everything we thought we knew about how things can and should be done.

Yet, despite the dramatic and disruptive change all around, most organisations continue to apply talent management approaches that have evolved only gradually since they first began to emerge almost a century ago (figure 1).

In recent years, these approaches have, at best, enabled organisations to hold their ground in addressing key business and talent challenges. At worst they are profoundly out of step with a business reality of rapid growth, transformation or change. It is no real surprise then that only 18% of our research participants have a talent approach fully aligned with their business strategy, despite 68% believing this is a high priority.

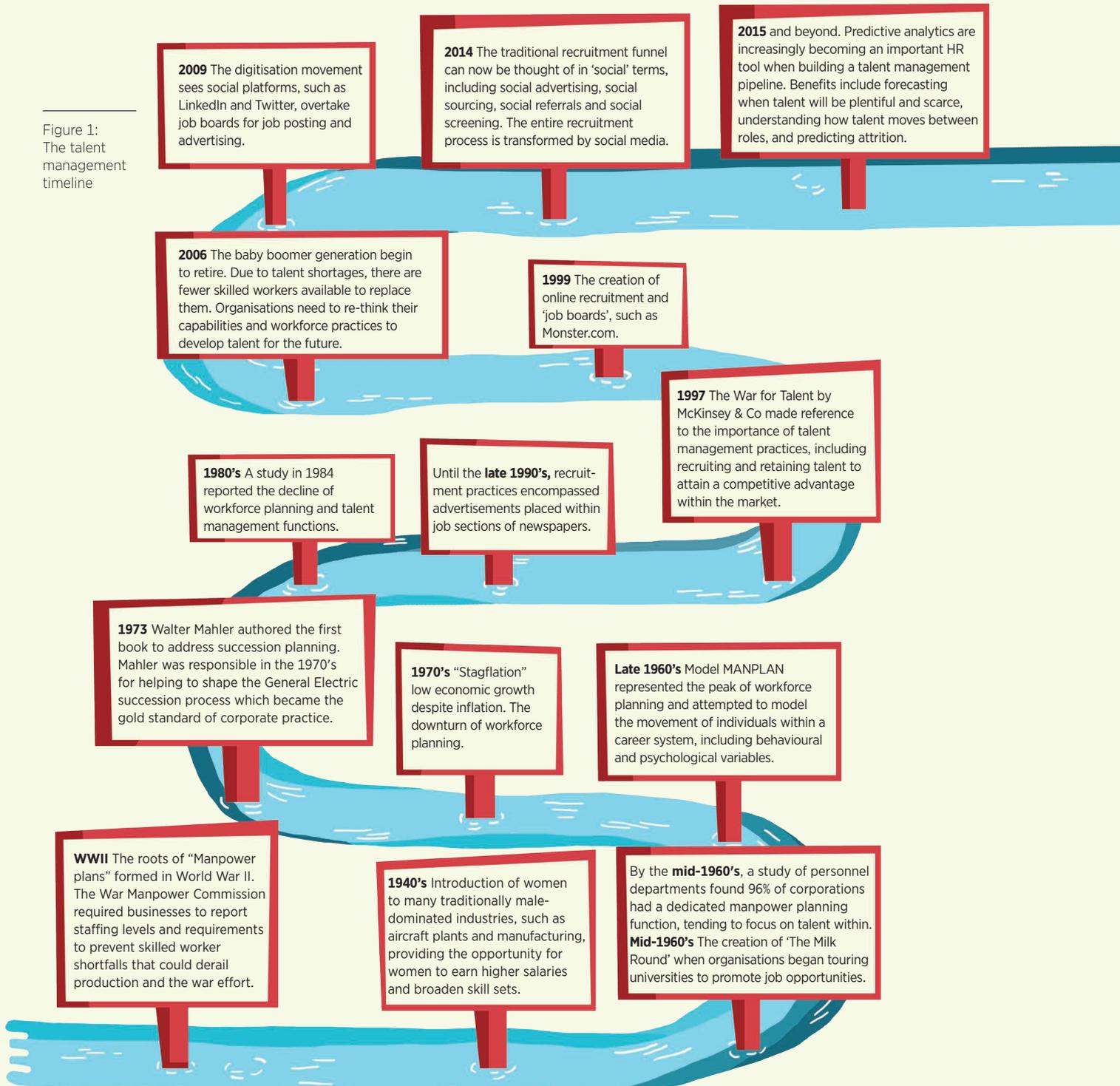
It appears that talent management practices have failed to keep up with the environment and this is likely to be the root cause of organisations’ continued inability to make real and sustained progress on this critical subject.

So constancy is not the answer to volatility. Organisations need to find a new way to manage and develop strategic talent to match the reality of a volatile and uncertain world.

“We really can’t forecast all that well, and yet we pretend that we can, but we really can’t.”

ALAN GREENSPAN
PAST CHAIRMAN OF THE US FEDERAL RESERVE

Figure 1:
The talent
management
timeline



Fluid Talent Management™: the new elixir

There is a saying that goes: “If your only tool is a hammer, then every problem looks like a nail.”

So far, all we have been offered in the world of talent management is a single hammer, a single approach that dates back to World War II. Our toolbox is very sparse indeed and as a result, no matter how long we stare at the challenge of talent management, it still looks like a nail that needs the hammer of a nine-box grid or the slightly bigger hammer of annual talent reviews. We have one tool for the job regardless of the circumstances.

Depending on their strategic focus, organisations face different challenges and need different solutions. These diverse areas of strategic focus give rise to different talent challenges too. So organisations experiencing rapid growth need to know how to fill the talent pipeline quickly and to compete successfully for what might be scarce skills.

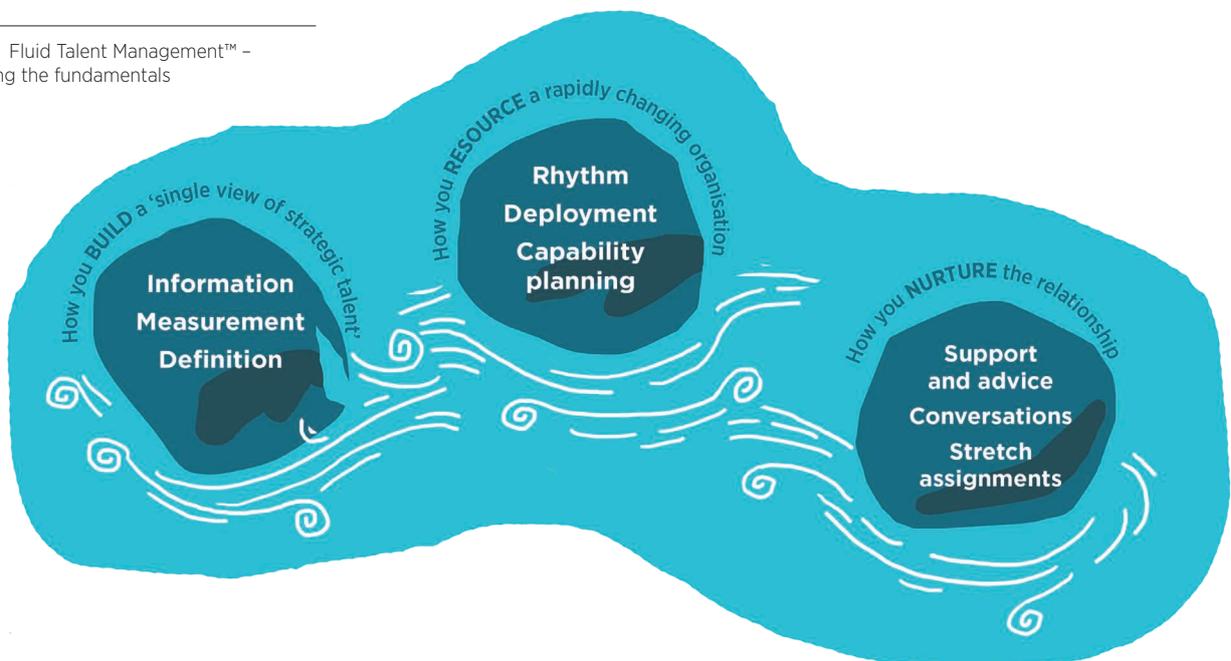
When they are in a stable position, they are more likely to be focused on getting their best people into critical roles to drive maximum business advantage.

A fluid approach to strategic talent management enables organisations to shift their talent focus to match their changing strategic focus and to apply the talent management techniques they know and trust in a more flexible way.

Whatever their business focus, organisations will still need to meet three fundamental talent management challenges: understanding the individual, making decisions on resourcing and nurturing the relationship (figure 2).

What we are proposing is an evolution in the way organisations go about managing these fundamentals. With a fluid approach, the chain of activities – attract, identify, deploy, develop and engage – will be less linear than in traditional talent management. Instead they will be deployed when a shift in market conditions and business strategy demand it.

Figure 2: Fluid Talent Management™ – addressing the fundamentals



The transition to Fluid Talent Management™

Belief is dominating strategy and metrics

Ask any sports psychologist what lies at the heart of successful performance for an athlete and they will say self-confidence.

An athlete's belief in him or herself, their confidence that they are doing the right things and their certainty that they possess all the right techniques are absolutely critical. But even with all the preparation and self-belief, top sports people do two other things to ensure their success. They have a plan and they measure their performance forensically. Indeed, rigorous measurement and tracking of potential and performance is now a fundamental part of identifying and developing future stars.

Over two-thirds of the CEOs we spoke to rank 'talent management' as one of their top five challenges. Yet only a minority of organisations have a formal talent management strategy – a plan – in place. There is clearly a discrepancy between the importance that CEOs attach to talent management and the minimal strategic focus that it is actually given.

Furthermore, just 3.6% of organisations told us they have embedded talent metrics. Where metrics exist, they are rarely being used to provide talent insight. More often, organisations use them to look back at what has happened in the past and fail to use them to predict what is likely to happen in future.

This leads us to ask – is talent management an organisational priority with no focus?

Having a talent strategy helps organisations make the right decisions about who to invest in and gain access to the capabilities they need in the short and longer term. However, current talent strategies – where they do exist – tend to be fixed on serving a business model that could be overturned rapidly by an unforeseen event. They also focus on a long-term view of how the business will operate in a future that may never come to pass.

Fluid Talent Management™ encourages organisations to create a scenario-based talent strategy that:

- recognises the likelihood of disruptive events and develops scenarios to match this
- understands where required skills are going to differ in the longer term and plans accordingly
- has a built-in ability to flex to suit any change in circumstances.

Fluid Talent Management™ also proposes a change in the rhythm of existing talent management activities. It envisages a dual approach: one steady and constant cycle that follows the business-planning timescales and works for those areas of the business that are relatively stable; another more fluid cycle that allows the organisation to make a rapid shift to an alternate scenario in the event of rapid market change or a critical event. Working in partnership with the existing talent team; Fluid Talent Management™ requires a second rapid response talent team that focuses on disruptive events and in-the-moment talent solutions.

Missing metrics means a missed opportunity

With only 3.6% of organisations having a robust system for collecting, storing and managing talent data, it is clear that almost all are failing to capitalise on the potential of data and the use of analytics. Fluid Talent Management™ encourages organisations to embrace the potential of analytics and to make use of the multitude of workforce data that they already capture.

No sign of a peace treaty in the war for talent

In many fairy tales around the world, the story is told of a magical chase where the pursued endlessly takes on different forms in an effort to shake off the pursuer. The pursuer answers by shape-shifting, becoming a hawk to capture a dove for example, or a greyhound to catch a hare.

Pre-recession, the race for strategic talent felt straightforward. You described your target and you went after it. It might have been an incredibly competitive chase, but the target was pretty constant and

as long as you were fleet of foot you usually triumphed.

Now the rules have changed. The targets are no longer constant and it is sometimes impossible to know who is in the race with you as the competitive market place has also altered – for many, quite radically.

The war for talent has turned into a series of skirmishes around who can respond most nimbly in this shape-shifting world.

In these circumstances, traditional succession planning and development techniques – focused on existing business models and structures – are unlikely to offer organisations any degree of certainty that they will have – or are developing – the key people they will need in future. It is no surprise then to hear that 45% of CEOs have concerns about succession planning and 40% believe development needs improvement.

Succession plans – more fiction than fact

In many organisations, the roles listed on succession plans often will not exist in five years’ time, while

the people on these plans are often placed there without it even being clear whether they actually aspire to the role or not.

Fluid Talent Management™ encourages organisations to rethink succession planning around the capabilities they might need in future and the level of mastery different individuals have over those capabilities. Strategic capability planning forces the organisation to look at the time frame of each of the future scenarios identified in the development of the broader talent strategy, and the capabilities each requires (figure 3). Embracing analytics to use all available sources of data enables organisations to explore when a specific capability is likely to become obsolete and when, or even whether, it will need to be replaced. The advantage of thinking about time frames up front is that organisations can become smarter about acquiring and ‘disposing’ of the skills they need, minimising painful and costly redundancies.



KEY RECOMMENDATIONS: Fluid in action

- **Plan for all possible business scenarios:** Use scenario talent planning to identify different types of strategic talent that could be required, not just future leaders
- **Match your talent cycle to your business volatility:** Establish parallel cycles of talent management to accommodate both stable and uncertain areas of business
- **Set up rapid response teams:** Create a separate talent team that works alongside the core practice to focus on disruptive events and in-the-moment talent solutions
- **Get to grips with talent metrics:** Deliver rigorous measurement by focusing on your key business challenges and anticipating future talent challenges

“The most critical element of talent management for me is to have a real pool of talents – a real list of successors.”

SOREN SCHMIDT
DSV ROAD HOLDING A/S

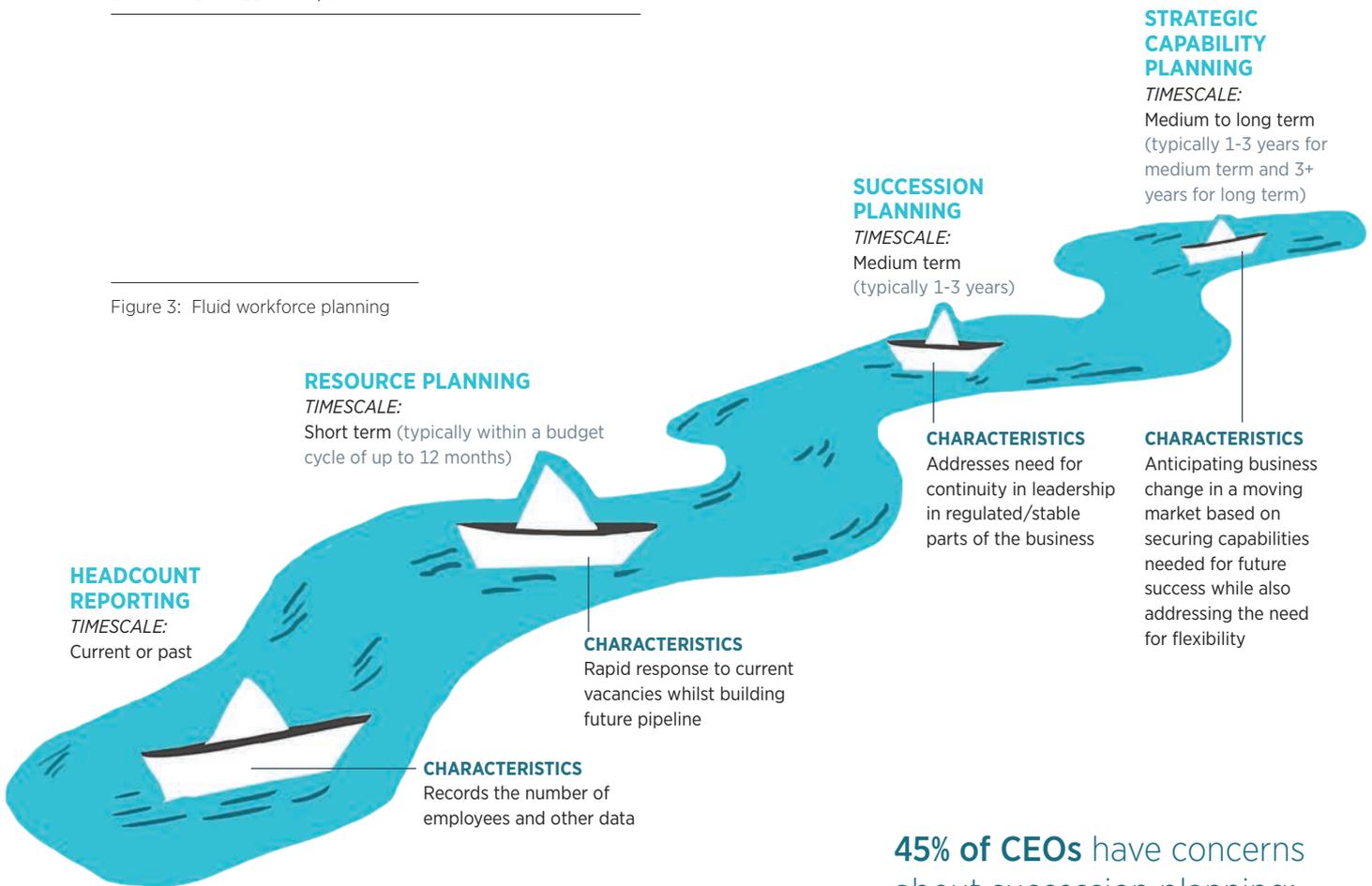


Figure 3: Fluid workforce planning

45% of CEOs have concerns about succession planning; **40%** believe development needs improvement.



KEY RECOMMENDATIONS: Fluid in action

- **Focus on future capability, not current jobs:** Start practising capability planning as well as leadership succession planning
- **Embrace analytics:** Use all available sources of data to address skills shortages, attraction and retention
- **Portfolio careers are here to stay, plan for them:** Think about how long you will need a particular capability for and how to deploy or dispose of redundant capability

Being talented is all about context

One of the most memorable scenes from any James Bond movie is the pre-title sequence from ‘Goldfinger’. In it, Sean Connery emerges from the water in his full wetsuit and diving paraphernalia, conducts a stealth mission on a target villain and, mission over, removes the wetsuit to reveal a perfectly pressed white dinner jacket complete with red carnation buttonhole, and heads off to dinner. The right costume, the right behaviour, for the right occasion. It is all about context.

It would be great if we were all as adaptable as James Bond – swiftly shifting from being a hunter-killer in a wetsuit to a suave dinner guest, all in the space of one or two minutes. But the reality is that few of us are really that capable of finding success in all contexts. The trick for leaders is therefore to understand what makes someone great in the organisation – in their context.

This question of ‘what does it mean to be strategic talent in our organisation?’ goes right to the heart of the debate about how organisations decide which people they want to invest in and develop. Is strategic talent an exclusive group of high-potential individuals, destined for leadership? Does it extend to other specific groups of value-adding individuals? Or is strategic talent an inclusive concept – broad and generous enough to include – well – everyone?

66% of our participating organisations said they expect that in future, all or most employees will be defined as talent, compared with 34% today. Our concern is that by shifting the emphasis too dramatically towards a wider, inclusive definition of talent, organisations risk failing to spot and develop the individuals who create the most competitive advantage. We believe it is vital that organisations continue to differentiate talent and describe its characteristics in a unique way for their business. Talent is all about context.

Talent for the future – a different type of animal?

Given the convergence of talent definitions in the market, it is no surprise to find therefore, that many CEOs felt several attributes were missing from the criteria used to describe strategic talent in their organisations. These attributes, which are particularly relevant given the uncertainty and volatile nature of the future business environment, are:

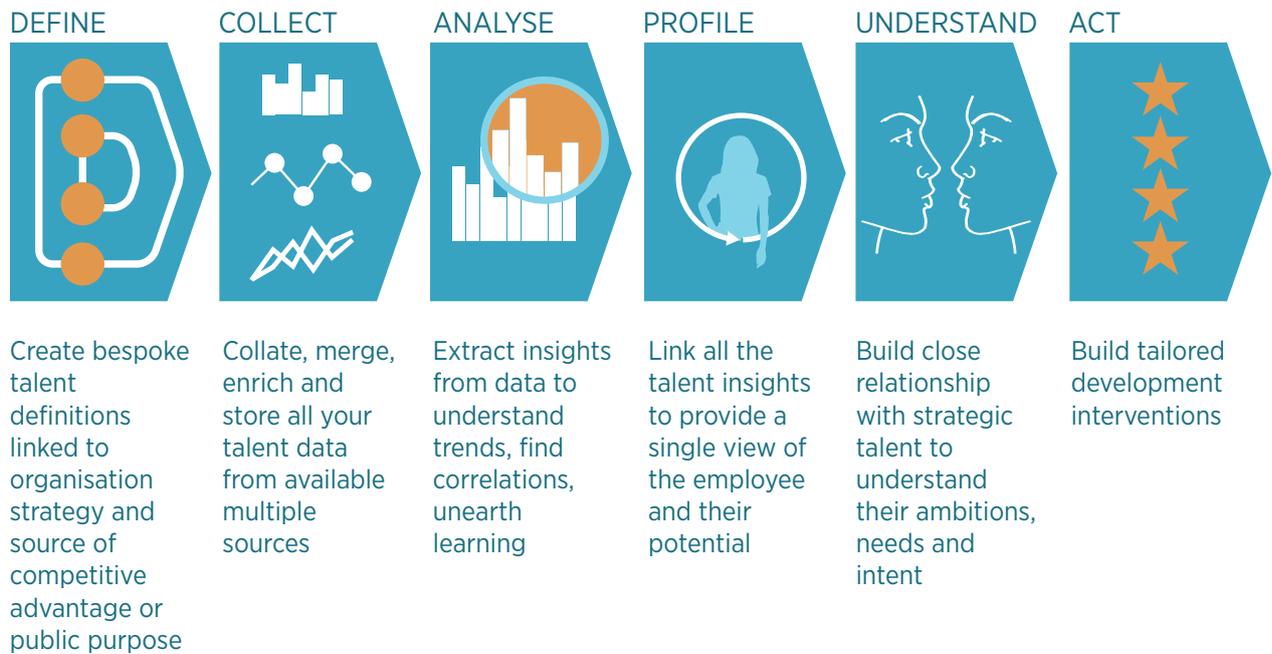
The infographic consists of three circular icons arranged vertically on a light green background. Each icon is accompanied by a text description to its right. The first icon shows two white swans facing each other with their necks curved to form a heart shape, labeled 'COMPATIBILITY'. The second icon shows a blue chameleon on a branch, labeled 'COMFORT WITH AMBIGUITY'. The third icon shows a brown lion's head, labeled 'COURAGE'.

- COMPATIBILITY**
a natural fit between the organisation’s culture and the individual’s values.
- COMFORT WITH AMBIGUITY**
the ability to operate effectively and adapt in ambiguous environments.
- COURAGE**
a willingness to take key strategic decisions even when there is limited time for deliberation.

By paying attention to these critical criteria, describing them in a way that works for their organisation, they are more likely to identify strategic talent who will fit within their unique context.

Having created this set of bespoke criteria, volatile market circumstances also demand an approach to talent identification that leverages data-mining technology to create a more fluid, constantly updated view of an employee’s potential. This can be created from all the available information and used as a basis for action. With a more fluid approach to talent management, it is this picture that ought to accompany the line manager into any talent calibration conversation. This should provide the whole view of the employee, drawn from multiple sources, and be rich in insight and information (figure 4).

Figure 4: Using big data to manage strategic talent



KEY RECOMMENDATIONS: Fluid in action

- **Leaders need the three C's of potential:** Extend criteria to identify future leaders to include compatibility, comfort with ambiguity and courage
- **Strategic talent is not just about future leaders:** Continue to differentiate talent according to the contribution different individuals can make to the business
- **Use big data to manage strategic talent:** Combine data points to create a single view of the employee and improve measurement of potential and capability

The ambition for talent management outstrips reality

Of all the survival stories that have emerged over recent years, the story of Joe Simpson is widely regarded by mountaineers as one of the most amazing.

After a series of incidents on a storm-ridden Siula Grande in the Peruvian Andes, Joe is left for dead by his climbing partner. Despite the odds, he manages to crawl and hop five miles back to base camp with a badly shattered leg – a journey that takes him three days. He achieves this seemingly impossible feat by focusing not on the overall journey, but only on the next rock ahead, breaking his hopping and crawling down into small increments to make his goal seem achievable.

It is perhaps a little grandiose to compare our aspirations for talent management and our reality with Joe's journey, but the key message is really helpful. If the ambition we have for something is worthwhile yet feels a long way removed from where we are now, there is often a way to hop or crawl there if we focus on the next rock ahead.

In the case of talent management, we know what those 'rocks' are – so getting to a place where our ambition is closer to the reality is actually not quite as daunting as it might first appear.

Our research identified that the vast majority (63%) of CEOs aspire to a talent management approach that drives high performance, but only 15% believe they have one that is anywhere close. One of the critical characteristics (one of the "rocks") of such an approach is the degree of transparency that exists around who is considered as strategic talent and the extent to which this information is shared.

In high performance organisations, individuals identified as strategic talent know this, receive candid feedback on their promotability and likely future opportunity. Much of this happens through the medium of the development conversation, which traditionally falls within the remit of the line manager.

But are we asking line managers to achieve a level of mastery in a very specific skill set that is at odds with the much broader people management skills required for the overall line manager role? With 75% HR directors involved in our research saying that upskilling line managers to give feedback was their top talent management priority, it looks as if we may be.

“The need for high quality line management to have those honest, meaningful and productive conversations with staff is so important.”

IAN HOWELLS
HONDA MOTOR EUROPE

Investing in career angels

Fluid Talent Management™ incorporates the concept of an expert coach – or 'career angel' – to support both line manager and individual, and help ensure that a full and open development conversation is not derailed by lack of skill or confidence. In this set-up, quality conversations with an individual about their performance, potential and development continue to be the line manager's responsibility. But career angels provide support with the more challenging career conversations around an individual's long-term career ambition, their current life stage and their family, interests and long-term dreams. They also act as talent brokers – matching individuals with suitable development opportunities across the organisation (figure 5).

Figure 5: The role of the career angel



KEY RECOMMENDATIONS: Fluid in action

- **Differentiate and communicate:** Be open about who the organisation has identified as strategic talent
- **Listen as well as tell:** Ensure individuals have input into decisions about where they should be deployed
- **Invest in career angels:** Incorporate the concept of an expert coach to provide support with more challenging career conversations around long-term ambition

The route to the top depends on courage and stretch

Climbing is often used as an analogy when we talk about how people navigate their careers – the imagery works well. You have progression, you have obstacles and you have a pinnacle. But it is the less well-known sport of bouldering that perhaps has a greater parallel with career progression in a more fluid world.

Bouldering is the discipline of climbing outdoors or indoors without ropes on small cliffs and walls of no more than 20 feet. It is about movement and problem solving. The climber can use static moves, where they progress slowly through the problem, or more dynamic moves where they require a degree of momentum to reach holds that might otherwise be just out of reach – this is a more risky strategy. Boulderers use crash pads to cushion their fall and spotters to help guide them towards safety.

At its heart, bouldering is all about challenge. It is about having the courage to use moves that will potentially put you at risk of failure. It is about stretching yourself to take on a more complex problem and it is about using the support around you to catch you should you fall.

You cannot learn bouldering in a classroom or from a book – you need to get out there and do it.

It is sometimes tempting to think that people can learn how to lead in complex, volatile environments through high-quality formal development programmes. In reality, just 14% of our CEOs mentioned a leadership development programme as being a “career-defining moment” for them. Much like the sport of bouldering, gaining real-world, sometimes risky, experiences in a wide range of different settings and situations was far more instrumental in preparing the CEOs we spoke to for leadership.

48% of CEOs described being given a stretch challenge as a career-defining moment.

This supports our view that formal talent development programmes or carefully mapped progression within a single part of the organisation are unlikely to offer the rich mix of experience that the CEO role demands. It is time for organisations to start making bold appointments that give future leaders the chance to learn by doing.

Greater mobility for strategic talent

HR already aspires to provide high potentials with the opportunity to develop their skills in different parts of the business. Currently, strategic talent regularly moves around the business in fewer than 10% of the organisations involved in our research. But in future, HR directors in 50% of organisations said they want to see strategic talent moving around as a natural part of the development process (figure 6).

Figure 6: Regular movement of strategic talent around the business



A fluid approach to managing strategic talent recognises the rich mix of practical experience that future leaders need and encourages organisations to do more to offer this. This includes facilitating external secondments, persuading emerging leaders to take up non-executive director roles or even encouraging top strategic talent to leave if this is best for their career (but keeping in touch with a view to re-employment at a later date). Without these extended stretch opportunities, top strategic talent is highly likely to go elsewhere to find the next challenge.

“Succession planning is global – mobility is key and we have started to move people around with greater regularity.”

JON DYE
ALLIANZ UK

New challenges at the top

The dramatically changing nature of being a CEO poses new challenges when it comes to finding future leaders. The high degree of public scrutiny that the CEO role now attracts means it is losing its appeal for some of the best candidates.

On a practical front, this means organisations need to think carefully about the support they provide to help CEOs deal with this pressure. This might go beyond media training and into personal PR advice.



KEY RECOMMENDATIONS: Fluid in action

- **Move strategic talent around to deliver stretch development before they vote with their feet:** Give future leaders risky experiences in a wide range of different settings and situations
- **Address resilience:** Give future leaders the resilience to withstand personal reputational challenge or you will limit the type/diversity of CEOs

The dynamics of fluid

Our concept of Fluid Talent Management™ takes everything we know about talent management and gives it a new fluidity to reflect the shifting challenges, increasing complexity and accelerating change that are already the current reality for many organisations. This then brings practical changes in the way we approach it.

We believe that by embracing the changes that are sweeping away old certainties about how to compete successfully and how to manage strategic talent, organisations can develop a response that will mean they are much better positioned to survive and prosper. From where we are standing, Fluid Talent Management™ looks very much like the future.

FLUIDS...

- Are an intermediate phase between solid and gas
- Will flow and take on the form of a container, varying in shape but not in volume
- Can diffuse into another fluid
- Are bound firmly but not rigidly
- Tend to have better thermal conductivity than gases
- Can display immiscibility – where two fluids with different compositions (such as water and oil) co-exist in equilibrium
- Flow freely or resist flowing according to their viscosity
- Evaporate when surface particles gain enough kinetic energy to escape the system



FLUID TALENT MANAGEMENT™ ...

- Is a flexible approach between traditional talent management and ad-hoc talent activities
- Enables rapid deployment of capability where it is needed, without organisation restructuring
- Makes mergers and partnerships simpler to accommodate
- Is underpinned by strong principles but not inflexible processes
- Can accommodate the heat and stress of a rapidly changing business
- Enables leadership and specialist talent to co-exist in equilibrium
- Is adaptable to the state of stability or change of an organisation
- Encourages a state that stops talent 'evaporation' from the organisation

To find out more

About this research and Fluid Talent Management™

Our full report, 'The future is fluid', covers the findings from our research and explains how to make Fluid Talent Management™ work for your organisation. It includes key tools and case studies to provide a practical guide.

Our commitment to research

At PA Consulting Group, we believe that our consulting work should be underpinned by innovative research into how organisations tackle the challenges they face. Our research reports are market leading, thought provoking and practical. In our experience, organisations want to know what real decision makers in real organisations are doing about the issues of the moment. That is why each of our research reports contain a wide sample of case studies, methodologies and example tools.

To date, PA Consulting Group has produced four additional pieces of talent research:



From compliance to commitment: bringing talent processes to life



The golden few: lessons in talent management from the worlds of entertainment, sport, arts and academia



What talent wants: the journey to talent segmentation



Girls allowed: how a renewed focus on culture can break the diversity stalemate

Each report in the suite looks at the topic of talent management through a different lens and together, these reports create a comprehensive picture of this important issue. If you would like more information about the other reports in this suite, please contact talent@paconsulting.com.

We use our deep expertise and unique research base to build and implement talent management strategies for our clients to ensure they have the right people to deliver their commercial goals. Our work is different because we use talent management to help our clients create competitive advantage. We understand how to really embed the process of talent management into an organisation's DNA and collaborate to build internal capability.

**Are you interested in a copy of the full 'The future is fluid' report?
If so, please contact us:**

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We are experts in energy, financial services, life sciences and healthcare, manufacturing, government and public services, defence and security, telecommunications, transport and logistics.

Our deep industry knowledge together with skills in management consulting, technology and innovation allows us to challenge conventional thinking and deliver exceptional results with lasting impact.

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