

A detailed case study to illustrate our work in Strategic Human Resource Management

Background

A large Australian company approached us to develop a People Plan, including how talent could best be managed to provide the constant pipeline of leaders the company recognised it would need to drive its growth objectives. This involvement spanned five-years, giving us an unrivalled opportunity, most unusual for consultants, to trial some new approaches and follow them through in the challenging setting of a large, fast growing company. It enabled us to put into practice and evaluate cutting edge ideas from around the world about how companies can best:

- integrate talent management activities
- align them with company strategy
- ensure they deliver maximum business impact.



Managing Human Capital for Results

Human Capital challenges

In today's economy with its focus on knowledge and services, it is now widely accepted that the key that opens the door to business success is talent. 'People are our best asset' has become a predictable mantra and, in that respect, our client was no different from other organisations. The talent challenges facing the company were also similar. Each year it got harder to attract and retain good people: what McKinsey termed the 'War for Talent' was upon us. Clearly, this intensified as the company increasingly moved away from manufacture and towards value-added services.

These changes enabled us to mount a compelling argument that the company's critical competitive advantage was likely to be associated with its culture and its people – the two features hardest for rivals to imitate quickly. The problems included:

- The changing nature of the work the company did, with the need now to 'mobilise minds' not just brute force or equipment
- Skill shortages in areas vital to the company e.g. engineering and project management
- An ageing workforce overall
- New demands for flexibility
- The disappearance of the traditional social contract of 'loyalty in exchange for security'.

Taken together, this presented a radically different talent map requiring a new, much more strategic approach to the old cliché of 'people as our best asset'. In other words, the company had to start managing human capital with the same rigour that it would much more typically bring to the management of its financial capital or its physical assets, such as plant or equipment. Finally, as the company was also growing through acquisition, it needed to deal with fragmented and disparate ways of thinking about talent, underpinned by ineffective, inappropriate and outdated systems and processes.

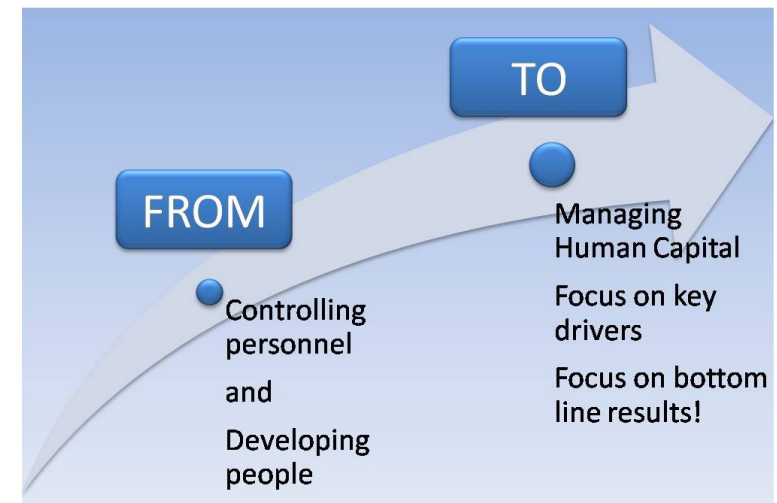
We developed a coherent model to help the company transform itself into a talent-powered organisation, where the strategic management of its human capital was seen as being at the heart of each strategic plan, since it was quite literally the people that would drive everything else. In this context, we argued that managing the company's human capital well was no longer a 'nice to have' but could even become the key driver of profitability, enabling high performance and growing of shareholder value.

Features of the talent strategy

Our integrated plan was presented to the CEO and the Board, after some small-scale trials in particular parts of the company during the previous year.

Key features of our approach included:

- Integration of talent management activities within an overarching Strategic Human Resource Management Plan
- Strong alignment with company strategy and adjustment of the Plan as company strategy evolved and was adjusted over time
- A stepped movement away from simply 'controlling personnel' and 'developing people' towards managing the company's human capital in ways that secured measurable value to clients and shareholders i.e. a focus on what people can do and can deliver to support the key drivers of value and profitability in each business.



Designing the approach was not a simple matter, as the large business operated in a number of sectors in Australia and also in countries overseas. Value drivers, for example, varied across industries and markets. A vital strand in the overall Plan was identifying how leadership capability should best be developed in order to multiply the talent the company possessed and deploy it in ways that would deliver the maximum value. In other words, we assumed that the company might never be able to secure all of the talent it might wish or even attract more talent than its main competitors in each of its sectors.

However, it could challenge itself to develop the right talent in the right ways and mobilise that talent effectively to serve the strategic needs of the company – those goals were certainly within the company’s control, rather than simply sitting back lamenting Australia’s skills shortage.

We began with a results based definition of what would constitute ‘leadership success’ for the company. This assumed that

- great leaders are a source of sustained competitive advantage
- the company exists to deliver economic returns
- so the true measure of ‘great leaders’ would be sustained business results in the company’s chosen markets

Obviously this is a very different approach from one where ‘success’ is viewed solely in terms of ticking off competencies that show up in assessment centres. Research shows that such competencies are **enablers** of results, but the real world measure must always be direct business impact.

The effort included (but was not limited to) a focus on the following integrated suite of initiatives:

- building a leadership culture
- linking the human capital strategy to the business strategy
- coaching on the job to deliver performance improvements in the job
- action learning through authentic business challenges for cross-business, cross-functional teams (‘ventures’) that must deliver outcomes directly to the ‘C’ suite
- setting up talent pools and defining success
- analysis of key roles
- establishing an on-going ‘educative’ dialogue with the ‘C’ suite and the Board
- creating a results based road map for the company’s high potentials/future leaders
- measuring and evaluating the company’s ROI on the above investment

Measuring business impact

Once the program had run its course we conducted a thorough evaluation of the talent management strategy, assessing its impact and the benefits derived by the company. This is something rarely attempted and the methodology we developed has attracted the attention of Oxford University's Business School who are conducting an international study of how talent management efforts are measured to determine business (as opposed to personal/professional development) outcomes. From a quantitative and qualitative data collection, we identified results in the key areas of:

- strategy
- high performance
- communication
- leadership brand

In each category, specific actions and behaviours were mapped and the results associated with each were evaluated – including their short and medium term dollar impact. This disciplined approach to measurement was a company first. We asked: to what extent did what we do change behaviours and deliver business impact?

In this way a key legacy we have left the company, after an extended period of intense involvement, is to show how it can learn from its experiences in order to make progressively better, and more strategic, human capital decisions.

The client was very happy with the outcomes of the intervention and return on investment, with our senior executive client commenting that it *'will leave an enduring legacy of business leadership capability in this organisation, well into the years beyond the life of the current executive team. That legacy is something that fills me with pride and gratitude'*. The client also remarked that the talent plan and leadership development work had not only developed critical leader pipelines but also developed valuable intellectual networks across the business. Praiseworthy of the outcomes, the client stated, *'We are now seeing the capacity of these networks to deliver innovative business outcomes, well beyond the formal component of particular programs.'*