

The people problem in talent management

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Talent-management processes can't work if managers don't think it's important to develop their people.

Increasingly, companies view the ability to manage talent effectively as a strategic priority.¹ Yet our research finds that senior executives largely blame themselves and their business line managers for failing to give the issue enough time and attention. They also believe that insular “silo” thinking and a lack of collaboration across the organization remain considerable handicaps. Moreover, executives who think that their companies’ succession-planning efforts are deficient don’t, on balance, see talent-management processes and systems as the chief problem.

The results of our research—which included in-depth interviews with 50 CEOs, business unit leaders, and human-resources (HR) professionals from around the world—suggest that the obstacles preventing talent-management programs from delivering business value are all too human (exhibit).² As one leader commented, “Habits of mind are the real barriers to talent management.”

Nearly half of the interviewees expressed concern that the senior leadership of their organizations doesn’t align talent-management strategies with business strategies. “This is a real blind spot for our leaders—they don’t realize the importance and significance of it,” commented one HR executive. Furthermore, 54 percent

of those interviewed agreed that senior managers don’t spend enough time on talent management. “Senior managers aren’t managing their time well or don’t see the point of managing people and getting the best out of them,” lamented one respondent.

Business line managers—the group responsible for a company’s day-to-day operations—were found equally culpable. Fifty-two percent of the respondents identified an insufficient commitment to developing talent on the part of line managers as a critical barrier. Moreover, 50 percent observed that line managers were unwilling to categorize their people as top, average, or underperforming, and 45 percent felt that line managers failed to deal with chronic underperformance by employees. As one interviewee noted, “We recognize underperformance, but the challenge is what to do about it. We find it difficult to have the ‘hard’ conversations.”

Silo thinking—focusing on the interests of one part of the organization rather than the whole—not only hinders the mobility of talent within a company but also undermines the sharing of knowledge and the development of interpersonal networks (or “social capital”) across the organization. It was singled out as a problem by 51 percent of the interviewees. “People will

EXHIBIT

The human barriers

% of interviewees who ranked obstacle among the 8 most critical

Obstacles preventing talent-management programs from delivering business value



Source: Interviews with 50 CEOs, business unit leaders, and human-resources (HR) professionals conducted at 29 multinational companies in a range of industries, geographic regions covering Africa, Asia, Europe, and North America

choose to resign and reapply for another division rather than signal to their manager that they are not committed," complained one European HR director. "Without 'sponsorship,' you're nothing here. You're basically seen as a traitor to your division."

Succession planning and a lack of understanding about the organization's most critical jobs remained significant barriers for 39 percent of respondents, though interviewees blamed an inability to exploit the data they produce rather than corporate succession-management systems. "We do succession planning to an unbelievable degree," said another European HR manager. "But once we do it, we don't use it. Never have we reviewed

a senior vacancy and looked at the succession plan. It's almost done as just another tick in the HR box."

The findings show how the debate over talent management has evolved in recent years as demographic changes, deregulation, and the economic shift toward developing markets have intensified. A 1998 study, for example, found that managers were concerned with the ability of their companies to attract talent or to install efficient and robust systems in areas such as performance management, feedback, and recruitment processes.³

Our interviews suggest that those concerns are fading. The vast majority of

the respondents, for example, disagreed with the suggestion that the value proposition of their companies—whatever distinguishes one organization from another in the eyes of applicants—is an impediment to attracting quality people.

These recent findings, which are consistent with the results of an earlier European study,⁴ reflect what we see in our client work: talent management cannot be isolated from business strategy. Companies achieve the best outcomes by actively involving senior leaders in talent development during the early stages of strategy formulation. Those that rely solely on HR to drive their strategy for talent are missing an opportunity to align the behavior and capabilities of the workforce with the priorities of the business. Executives should find ways to make line managers unambiguously responsible for developing the skills and knowledge of their employees—by including people development as an explicit objective in annual evaluations, for example. Without compelling top-team role models, however, this effort would likely prove an uphill struggle.

Organizations should also make bold moves to break down internal silos by moving talent around (through rotations and international assignments, for example)⁵

and by creating formal networks to foster the relationships that promote the sharing of knowledge across divisions. As one business unit executive explained, “The top 500 [people] should be owned by the top team and not by the divisional fiefdoms.”

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¹ Steven D. Carden, Lenny T. Mendonca, and Tim Shavers, “What global executives think about growth and risk,” *The McKinsey Quarterly*, 2005 Number 2, pp. 16–25 (www.mckinseyquarterly.com/links/21003).

² The respondents represented 29 multinational companies operating in a range of industries and regions spanning Africa, Asia, Europe, and North America.

³ Elizabeth G. Chambers, Mark Foulon, Helen Handfield-Jones, Steven M. Hankin, and Edward G. Michaels III, “The war for talent,” *The McKinsey Quarterly*, 1998 Number 3, pp. 44–57 (www.mckinseyquarterly.com/links/21004).

⁴ Emily Lawson, Jens Mueller-Oerlinghausen, and Julie A. Shearn, “A dearth of HR talent,” *The McKinsey Quarterly*, 2005 Number 2, pp. 13–5 (www.mckinseyquarterly.com/links/21005).

⁵ See “Making a market in talent,” in the current issue.