

The CEO's role in talent management

How top executives from ten countries
are nurturing the leaders of tomorrow



A paper by the Economist Intelligence Unit
in co-operation with Development Dimensions International (DDI)



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The CEO's role in talent management

How top executives from ten countries are nurturing the leaders of tomorrow

Preface

The CEO's role in talent management: how top executives in ten countries are nurturing the leaders of tomorrow is an Economist Intelligence Unit white paper, in co-operation with Development Dimensions International. DDI is a global human resources consulting firm specialising in helping multinational organisations identify and develop exceptional leadership talent.

The Economist Intelligence Unit bears sole responsibility for this report. The Economist Intelligence Unit's editorial team conducted the interviews, wrote and edited the report. The findings and views expressed in this report do not necessarily reflect the views of the sponsor. James P. Rubin is the author of the report.

Our research drew on desk research and in-depth interviews with CEOs and COOs across a range of industries. Our sincere thanks are due to the interviewees for their time and insights. We would also like to thank Lucy McGee and her team at DDI for their support during the research process.

May 2006



Executive summary

The CEO's personal priority

The management of a company's pool of talent is now too important to be left to the human resources (HR) department alone and has become the responsibility of the top executive. This is the main finding of a study by the Economist Intelligence Unit in co-operation with Development Dimensions International (DDI). The study consists of interviews with 20 corporate leaders. All 20 corporate leaders interviewed for the study said that talent management is their responsibility. Of the 18 chief executive officers (CEOs) and two chief operating officers (COOs) interviewed, seven say they spend 30–50% of their working time on talent management, and a further seven executives estimate their time commitment to be about 20%, a substantial percentage, given a top executive's crowded agenda.

The remaining executives say it is a priority and either spend 5–15% of their time on talent management or could not provide a time estimate. In the words of Tom Wilson, the COO of Allstate Corp.: "The most important thing I have to worry about is people." And John Swainson, the CEO of CA Inc., says: "I would say on a long-term basis, as the CEO, I have primary responsibility for the issue of organisational health and ensuring that the management team remains vital, relevant and refreshed, and that we create a process to nurture and facilitate our own succession. That is one of the two or three most important things that a CEO must do."

Almost all the companies whose senior executives were interviewed generate at least US\$1bn in annual revenue and possess strong brand recognition. They cover a broad cross-section of industries, including

The main points

- Chief executive officers (CEOs) are increasingly responsible for, and involved in, talent management. The heads of human resources departments play an important, supporting role in executing talent strategy.
- CEOs spend a large amount of their time—often more than 20%—on talent management. However, this effort is not typically guided by a formal talent strategy explicitly linked to the company's overarching goals or embedded in the business planning process. Rather, CEOs engage in selected supporting activities where they believe they add value.
- Talent management has become more important because of a growing recognition that it helps to drive corporate performance, even though the exact impact is hard to quantify.
- Good talent management is not undertaken in a piecemeal fashion but consists of comprehensive development programmes. These include the identification of leadership potential, performance evaluations, targeted development activities and job experience.
- Many CEOs mentor executives in their organisations—an additional and important part of the programme. They regard the development of the next generation of leaders as one of the best ways of leaving a strong legacy.

retail, manufacturing, financial services, energy, technology, consumer goods, real estate, consulting, pharmaceuticals and medical devices. The 20 corporate leaders interviewed are located in ten major industrial countries, including the US, the UK, Japan, Australia and India. The firms include CA (formerly Computer Associates) of the US, which was founded just 30 years ago, and the Co-operative Group, a UK-based conglomerate with roots in the mid-19th century. One company, Johnson & Johnson China, is a subsidiary of the New Jersey-based pharmaceuticals giant. Two



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others are respectively units of the Swiss-based Bossard Group, a maker of fasteners, and US-based Delphi Corp., a provider of mobile electronics, technology and transport components (see corporate leaders' profile box).

The executives come from diverse backgrounds. Mark Zesbaugh, a former chief financial officer and accountant, was just 37 in 2001 when he became CEO of Allianz Life Insurance Company of North America, a division of Germany's Allianz Group. Shiv Nadar founded the Indian company he leads, HCL Technologies, in 1991. Lars Josefsson of Vattenfall of Sweden had previous CEO experience and was an engineer by training. Cindy Lau, the only woman in the group, became the managing director of Johnson & Johnson China a year ago, after 11 years as head of marketing at her company.

Key features of CEO-led talent management

Despite the variety of backgrounds, all the interviewees share a similar understanding of the importance of talent management in identifying and grooming employees at all levels of the company so that they can rise faster up the corporate ladder. Talent management consists of many elements including performance evaluations to identify potential; psychological testing and assessment centres to determine capability gaps; training and development programmes, relocations, project work and job experience to accelerate development.

However, few of the executives appear to have a strategic approach to talent management of the same rigour as other business planning processes. One who does is Martin Beaumont, the CEO of the Co-operative Group, who sets clear targets. The Co-op wants to generate about 70% of its promotions from internal candidates; at present, the company uses headhunters

to find about 80% of its executives.

All of the firms evaluate executives annually or more frequently using scores and documenting the outcomes. CEOs hold follow-up meetings to discuss results and determine what programmes and job experience their subordinates need to improve their weaknesses. HR advises on what programming is most appropriate from a range of options, including off-site retreats, classroom and Internet learning, executive coaching and formal mentoring. Most of the executives mentor their direct reports and others on a more informal basis.

Good talent management promotes people based not only on their performance but also on the manner in which they have made their mark. "If I have a leader who's getting results but is damaging the organisation because of the way they've achieved results, that's not okay," says Mr Zesbaugh. And Robert Care, the CEO of Arup Australasia, a division of Arup Group, remarks: "If their [employees'] attitude isn't strong about the culture, ultimately that will undo you."

Talent management was traditionally the domain of HR and the role of the CEO and COO was intermittent and distant. Two factors largely account for increased CEO involvement in the past few years: the shift in focus towards intangible assets such as talent, and increased board scrutiny in relation to both ethics and performance. Now it is a strategic necessity for these executives not only to keep abreast of the latest developments in the company's talent programme but also to plot strategy, own associated initiatives and regularly participate in events related to talent management.

"The competitive advantage of any company comes from excellent execution," notes Maarten Hulshoff, the CEO of Rodamco Europe. "The execution of strategy is driven by the behaviour of the leaders." Says Thierry Porte, the CEO of Shinsei Bank in Japan: "Very specifically [my responsibility] is to be working with the senior team in developing their capabilities but also to assist them in coming up with ideas,

"If their [employees'] attitude isn't strong about the culture, ultimately that will undo you."

Robert Care, the CEO of Arup Australasia, a division of Arup Group.



concepts, procedures, policies to develop their workforce all the way through the organisation. It is one of the most important things that I can do.”

Driving competitive advantage

The leaders in this paper say, in a nutshell, that talent management is a source of competitive advantage. They find that talented executives plan and execute strategy better and create a positive work environment. They believe that good talent management leads to greater productivity, and even faster revenue growth, although the exact impact is hard to quantify. “We’ve been able to show that there’s a definite correlation between high leadership scores on our leadership scoring process and success,” explains Ken Glass, the CEO of First Horizon National Corporation. “We have a whole lot of confidence that that’s just not soft and fuzzy stuff. It’s performance related.”

Mr Zesbaugh backs this up: “Our ability to execute is a direct function of a performance culture that we have in place.”

According to the interviewees, developing their most senior executives is especially important. If these leaders have the right skills and experience, their direct reports and middle managers below them will thrive.

“Our ultimate financial results are a reflection of the success or lack thereof of our development programme,” admits William Hawkins, the COO of Medtronic. “At the end of the day, what differentiates us from some of our competitors is the quality and capabilities of our people.” Medtronic’s sales have increased from US\$6.4bn to US\$10bn between 2002 and 2005, and net income has almost doubled from US\$984m to US\$1.8bn.

The executives interviewed say that good talent management increases job satisfaction and improves retention rates. The latter is particularly challenging in Asia where, according to regional CEOs, competition for strong managers is fierce.

It is expensive to recruit and train new executives and estimates of the cost vary widely. Wayne Cascio, the U.S. Bank Term Professor of Management at the University of Colorado, Denver, says the cost of hiring and training an executive is about twice the recruit’s

annual pay. Some executive recruiting firms believe the cost is closer to 150%. Others estimate that it is even higher. These estimates include the cost of lost productivity while positions go unstaffed and new executives learn their jobs—which may take up to a year. Mr Swainson explains:

“Companies that have strong management development and succession processes in place tend

to have smoother transitions. When executives move on to other roles or leave the business altogether, that ultimately has a cost. Companies with sound talent management don’t wind up paying headhunters. But business continuity is the most important reason for strong talent management. The fact that people are prepared to move into positions rapidly and can assume those positions is an important thing.”

Yet it is becoming more difficult to keep people — this is the response of all 20 corporate leaders interviewed for this study. Employees who feel that their career path is blocked are more likely to leave and these employees have an increasing number of companies from which to choose. “People need to be lifelong learners,” says Scott Erker, the senior vice-president of selection solutions for DDI. “Companies have to provide them with opportunities to learn and develop and to further their careers without organisation-hopping. It is important for creating a positive work environment and full engagement.” Meanwhile, increased pressure to deliver results is already shortening tenures. “The one thing that I probably underestimated was the short-term focus that public companies now have to deal with in terms

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of Wall Street," admits Bill Zollars, the CEO of YRC Worldwide. "I knew it was crazy, but I had no idea how crazy it actually is. It's really gotten to the point where long term to most analysts is next week."

"Talent management is about making sure that you have the right people in the right places for both themselves and the organisation."

Michael Wilkins, the CEO of Promina.

The result is that organisations are paying closer attention to training and job assignments, creative changes in responsibility or an accelerated career track that may keep aspiring or existing executives in their positions longer. "If you're developing a leader pipeline, you are helping to empower the individual," replies Sharon Allen, the chairman of Deloitte & Touche USA. "In the end, it helps retention."

In fact, talent management is so important that some firms are even tying compensation to it. At least one-half of the firms interviewed cover employee development in annual performance reviews that determine pay increases. First Horizon National Corporation, for example, calculates part of its senior leaders' bonuses on their ability to meet certain development goals. They must provide training and assignments for their most promising managers and report to the board on their progress.

The hands-on CEO

In the wake of legislation over the past five years requiring board members to scrutinise their companies more carefully, boards themselves have become involved in talent management. In most of the companies in the study, directors expected the CEO or COO to take charge of talent management and to update them regularly on individual executives. Mr Zollars has allocated as much as 40% of board meetings to talent management, and some of the executives wish they could spend more time on talent management. Other executives regularly discuss talent management both at formal meetings and in more casual settings. "People follow behaviour more than they do strategy, and leadership is about

mobilising behavioural change," says Mr Hulshoff.

The CEOs and COOs interviewed oversee the company's talent management activities. They carve out specific times to discuss talent management with senior staff and their boards but also refer to the topic at regular meetings. The amount of time they spend on talent management can sometimes be considerable. Messrs Hawkins and Care say they spend about 50% of their time on talent management; Majdi Abulaban, the managing director of Asia Pacific Delphi Packard, Electric Systems, and Mr Nadar and Mr Beaumont say they allocate about one-third of their time to this. "[Talent management] is about making sure that you have the right people in the right places for both themselves and the organisation, and needing to make sure that you as the chief executive are taking responsibility for the development of your leadership talent," adds Michael Wilkins, the CEO of Promina of Australia, an insurance company. "It's one of the best legacies that you can leave any organisation."

All of the interviewees regularly evaluate their direct reports as a basis for top-level talent decisions, often with written performance evaluations. Their companies conduct at least one lengthy formal assessment of top executives each year. The reviews combine written feedback and a scored section covering several leadership categories. Johnson & Johnson China measures people in several areas. Medtronic uses a similar rating system. Allstate asks employees to assess their managers in a quarterly survey.

All 20 executives interviewed for this study personally participate in at least one activity intended to develop talent, including off-site retreats and leadership programmes. Colin Reed, the CEO of Gaylord Entertainment, addresses small groups of incoming executives and meets them individually. Mr Hulshoff, facilitates group leadership exercises and speaks on strategy at these events. Ms Lau signs one-year contracts to help three promising executives at a time. Mr Porte, who meets regularly with executives,



plans to teach a weekly leadership class that will run 8-12 weeks and would like other senior executives to do the same. Michael Critelli, the CEO of Pitney Bowes, attends forums where employees of the provider of business machines ask executives to respond to even the most controversial topics. Mr Critelli says these meetings allow him to see how well his executives communicate with their employees.

Most of the interviewees acknowledge the role mentors play in the development of their own careers. All of them mentor subordinates one or more levels down the organisation. A number of executives help their subordinates to address pressing issues and provide career advice. "With mentoring, I'm looking at the people in terms of discussing their job content, discussing what to do next month and evaluating what they have done," notes Mr Hulshoff.

In other cases, mentoring overarches immediate job challenges and helps mentees navigate the organisation. Ms Lau held two one-on-one conversations late last year to persuade a talented executive to remain with Johnson & Johnson. The executive had received an offer at a higher salary from another firm before Ms Lau persuaded her that job satisfaction and opportunities for promotion were more important. The executive is now in line to fill one of Ms Lau's seven senior jobs.

But much of the involvement of top executives in talent management occurs on an ad hoc basis. All of the interviewees say they are available to their direct reports and executives well below that rank for casual coaching conversations about business issues and career decisions. At Pitney Bowes, Mr Critelli takes questions at his company's forums. Executives at HCL Technologies occasionally stop by Mr Nadar's office to confer with him about business problems. At Delphi, Mr Abulaban uses a conference room as an office so he can meet with groups more easily. Mr Care at Arup holds question-and-answer sessions at his company's eight offices and meets managers individually. "A lot I would characterise as me sitting with individuals, the

people that report to me in a wider leadership group and talking to them about how things are done, matters they're dealing with and how they might address them, do better," he explains. "To me that is all part of leadership training." Mr Glass of First Horizon answers e-mails from executives seeking career advice. Mr Hulshoff at Rodamco Europe likes to share ideas with executives and outside leadership consultants over a glass of wine.

Tying talent to overall strategy

The interviewees say talent management must be aimed at supporting their overall business strategy. Rodamco Europe recruits and develops executives who can manage rapid growth. The company has been aggressively acquiring shopping centres in major European cities. Gaylord and Allianz seek to promote people obsessed with customer service. First Horizon requires managers to be strong at execution. "A lot of people have the same strategies we have but we do better in some businesses than our competition because our managers are very good at execution," states Mr Glass. Inchcape, a UK-based automotive distributor, has different leadership strengths in different countries.

The trend is that CEOs realise that one constant style of leadership does not meet all necessities. The type of talent must align with the direction in which the business is heading. In a few cases, executives help to design and drive a strategic approach to talent management which links to the wider goals of the business. Johnson & Johnson's method is among the most systematic, designed to support rapid expansion, and starting with selecting the best recruits: "The J&J strategy includes first how we expand the pool of talent from recruitment, second how we can expand the competency of the existing talent, and third is the retention of talent," explains Ms Lau.

"With mentoring, I'm looking at the people in terms of discussing their job content, discussing what to do next month and evaluating what they have done,"

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A company's needs will change with time, too, as business strategy shifts. One of Mr Glass's predecessors excelled at formulating strategy but another was better on the people side. Mr Glass had more of a financial background. "Every leader takes that leadership position at a different point in time in a company's development and so different qualities are needed," he says.

Mr Zesbaugh says Allianz Life's parent company, the Allianz Group, has been making a more concerted effort to have an internationally diverse group of executives. Allianz Group has companies and offices in 70 countries. Some firms have been trying harder to incorporate more women and minorities into their leadership ranks in order to service increasingly diverse customers. Nevertheless, as shown by this collection of interviews, organisations have a long way to go in this area. The glass ceiling may have some cracks, but it is not yet shattered.

The importance of succession

All of the executives interviewed say that succession planning is a crucial part of talent management and that transparency in this regard motivates employees to perform at a high level, thereby fostering stability.

"You need to be able to justify and communicate to people why they are on a list or not on a list. If you articulate why you have the views that you do, you lose fewer people," responds Mr Care.

According to most of the interviewees, firms that allow workers to languish without hope of advancement could lose them. About four in five of the Co-operative Group's senior executives were recruited from other organisations. Mr Beaumont found that ratio unacceptable when he became CEO in 2002 and has overhauled the company's talent management approach. Bob Rogers, the president of DDI, says companies are focusing more on succession partly because of pressure from

investors. "You don't want the investment community to think there's a lack of potential successors."

Consequently, all the firms had multiple succession plans to address different levels of leadership. All but one could identify their potential successors now and several years into the future. All could name potential replacements at other key positions. "Empowering is something we do very well. I see my role as how do I create multiple CEOs within the organisation," says Mr Nadar of HCL Technologies.

A strategic role for HR

As talent management has grown in importance in recent years, so has the role of HR departments. This is positive news for senior HR professionals who have long been seeking greater involvement in matters of strategic importance. All of the interviewees say that HR departments are responsible for executing talent management strategy, being custodians of the talent management process and often provide guidance and fresh thinking about talent management programmes. They coordinate recruiting, help set job goals and compensation, introduce new development programmes, as well as monitor and report on individuals' progress. Allstate's head of HR vets candidates for leading executive positions and has a voice in selection.

Mr Zesbaugh expects HR to track talent management trends and programming at other companies. "I don't always have the luxury of seeing everything. What I look to them to do is come up with innovative ways to move our leadership to the next level." At Arup Australasia, HR serves as a sounding board for employees about development and their careers. Shinsei Bank works with a chief learning officer.

All but one interviewee say their director of HR is part of their inner circle, along with C-level executives. At YRC Worldwide, the head of HR is "my consigliere," says Mr Zollars.

"Empowering is something we do very well. I see my role as how do I create multiple CEOs within the organisation."

Shiv Nadar, the CEO of HCL Technologies.



Accelerating leaders' development

The firms interviewed provide increasingly structured opportunities for executives to improve their leadership acumen through formal programmes, often off-site. Pitney Bowes conducts week-long retreats for vice-presidents. The events cover strategy, execution and personnel issues. Inchcape has created a leadership academy with Loughborough University in the UK. Executives may even pursue an MBA at the school. Medtronic designs its own curriculum for two- and three-day training events. It will soon require its leading executives to spend three separate weeks at different business units each year.

Asia Pacific, Delphi Packard Electric Systems sends senior executives to a two-week programme created with the University of Michigan and other shorter programmes. "As the executive progresses in the organisation from one level to another we have them go through specific leadership development training," says Mr Abulaban

All of the companies use mentoring, executive coaching or both. At Inchcape, Peter Johnson, the CEO, mentors his eight direct reports and four executives below that level. Rodamco Europe uses coaches to help bring under-performers up to speed. Mr Nadar helps executives at HCL Technologies to pick through problems and tries to meet with them often outside of work, "In a lot of ways, a CEO's job is chief mentor," he says.

But many interviewees say that on-the-job experience is also critical. When choosing and promoting managers, they prefer the person to have a broad background rather than expertise in one or two areas. Their firms encourage executives to pursue opportunities in unfamiliar settings, including international assignments and project work designed to hone new skills.

Mr Zollars recently named a rising star as US chief integration officer overseeing acquisitions and placed him on the China development team. The company has

been looking to expand in China through a series of joint ventures. Mr Zollars believes the new assignments will help this executive to improve his inter-cultural effectiveness and global acumen.

Johnson & Johnson sends Chinese executives to Europe and the US for one- to two-

year stints, where they can learn key account management, an established practice in these countries but less well-known in China. According to Mr Critelli,

"The best kind of development is putting someone in a job that tests them where they haven't been tested before."

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Michael Critelli, the CEO of Pitney Bowes.

When Mr Wilson was CEO of Allstate Financial, he named a manager from inside the organisation to become treasurer, although the individual lacked experience. But to ensure he blossomed, Mr Wilson named two more-seasoned financial professionals to support this executive. "I was convinced that not only would he be able to learn the skills required to do the job but he would show the organisation that (enabling someone to grow into a position) was a good thing and it was rewarding in your career if you were a continuous learner."

Challenges and risks

Companies must anticipate their future needs in order to ensure they have the skills to match them, for example, marketing and sales experience may be more important in two years' time than a comptroller's background. Many of the executives interviewed say that they have made good progress in developing a talent strategy that achieved this, but acknowledged several significant challenges in this regard. Most respondents believe that succession planning in particular is a delicate process requiring foresight and considerable diplomatic skill. They say their companies monitor progress and regularly revisit their succession plans to ensure that they remain future-facing.



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Other interviewees are of the opinion that timing promotions is difficult. If the process is too slow, there is a risk of losing a talented executive to a rival company—occasionally after a candidate has been developed for years. But promoting someone too quickly represents a risk to the business and can create resentment and job vacancies that cannot be filled lower down. Several respondents say it is difficult to

“The global way is how well people and teams respond to that leader. The true mark of an effective leader is whether the people are following the leader. Is his organisation delivering?”

Majdi Abulaban, the managing director of Asia Pacific Delphi Packard, Electric Systems.

promote executives over the heads of less-talented superiors. “Figuring out how to manage where you put that individual and where you make room for the people under them that truly do have the potential to get to the next level is by far the biggest [talent management] challenge we have,” says Mr Critelli.

Mr Wilson says it is difficult bypassing an executive to promote a more junior manager. The higher-level individual may be affronted and decide to move on. But Mr Wilson believes candor is best in these instances. Strong talent management requires him to make tough decisions. “The way in which I give myself the emotional strength to do that is to tell myself that for the good of the organisation we need the best leaders in place and that if I’m not willing to make it uncomfortable for somebody who just is doing an all right job but just isn’t going to take it to the promised land, then I’m doing the rest of those people a disservice. You have to do what’s good for the team.”

According to a few interviewees, setting the right tone and mix of learning activities and promotions is also difficult. Mr Porte has had to adapt programmes that have worked in other countries to Japanese business culture. He says that convincing executives why talent management is important and getting them

to participate is also a challenge. “There are a number of challenges. Of course, one is creating the right structure for it and making sure that it’s not just something that people see as a burden, but really as an opportunity both for personal growth as well as for making a contribution to the company.” Mr Zesbaugh adds that he’d like to develop executives faster.

Developing tomorrow’s CEOs

Most of the executives say their approach to talent management is influenced strongly by their own development. Ms Lau spent more than a decade as a marketing officer. She favors this role as a springboard to her position. Mr Zollars spent five years in Europe and a year in Japan earlier in his career. He now encourages executives to spend time overseas. Mr Hawkins moved around as an executive with another firm. He believes his experience, including a stint as a division CEO, was good preparation for the COO job at Medtronic. Both Mr Johnson and Mr Josefsson were CEOs before assuming their present roles. Mr Josefsson says that his previous experience prepared him well.

A number of the executives believe that no single job provides the perfect preparation to become the CEO. “What I look for isn’t necessarily the technical competency but the leadership competency,” replies Mr Zesbaugh. Indeed, according to Mr Abulaban, certain leadership qualities are universal. He says that it is easy enough to measure how effective leadership skills are, anywhere in the world. “The global way is how well people and teams respond to that leader. The true mark of an effective leader is whether the people are following the leader. Is his organisation delivering?”



Conclusions

Despite the variety of experience and opinions of the executives profiled in this study, a number of common themes emerge.

- Strong talent management leads to greater workforce productivity and other benefits. Indeed, companies are increasingly realising that they cannot be successful unless they have a good strategy for developing talent.
- Given its importance, the strategy needs to be driven from the top. CEOs and COOs should oversee talent management strategy rather than delegating it to HR departments. HR, in turn, should be made responsible for supporting the strategy and executing it.
- Talent management should be explicitly linked with overall strategic planning and deliver the quantity and quality of leaders the company will need in the future to achieve its goals.
- Formal processes for identifying top talent, including performance evaluations, and strategic reviews of key talent should occur at least annually and incorporate written feedback to buttress scored categories. There are many other components required in a good programme, and a rigorous approach to obtaining reliable performance data is essential.
- Smart companies communicate effectively about the importance of talent management. By publicly recognising and rewarding deserving candidates with promotions and other awards, companies can cultivate an environment in which talent flourishes.
- A varied business background is the best grounding for the CEO and COO roles. As today's corporate leaders face such diverse challenges and opportunities, firms are looking for people with wide experience in terms of function, role, and, increasingly, geography.
- Talent development programmes should combine both theory and practice in the form of structured learning experiences and off-site meetings, as well as the proper business experience. They should be supported on a daily basis by coaching and mentoring activity.

PROFILES

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<i>Name</i>	<i>Title</i>	<i>Company</i>	<i>Country (HQ)</i>	<i>Industry</i>	<i>Age</i>	<i>Time for talent management</i>
Georges Le Mener	CEO	Accor North America	US (France)	hospitality	58	33 percent
Mark Zesbaugh	CEO	Allianz Life	US	insurance	41	20-25 percent
Tom Wilson	COO	Allstate	US	insurance	48	said it was his priority
Robert Care	CEO	Arup	Australia (UK)	engineering/consulting	55	50 percent
Scott Mac Meekin	CEO	Bossard Group	Singapore	manuf/engineer/logistic	48	40 percent
John Swainson	CEO	CA	US	technology	51	5-10 percent
Martin Beaumont	CEO	Co-operative Group	UK	conglomerate	58	30 percent
Majdi Abulaban	Managing Dir.	Delphi Packard	China (US)	electronic systems	42	35 percent
Ken Glass	CEO	First Horizon	US	financial services	59	5-10 percent
Colin Reed	CEO	Gaylord Entertainment	US	hospitality	58	20 percent
Shiv Nadar	CEO	HCL Technologies	India	technology	60	30-40 percent
Peter Johnson	CEO	Inchcape	UK	automotive	58	15-20 percent
Cindy Lau	Managing Dir.	J&J China	China (US)	pharmaceutical	40	15 percent
Bill Hawkins	COO	Medtronic	US	medical devices	52	50 percent
Michael Critelli	CEO	Pitney Bowes	US	office machinery	57	25 percent
Michael Wilkins	CEO	Promina	Australia	financial services	49	15-20 percent
Maarten Hulshoff	CEO	Rodamco	Netherlands	real estate	58	20 percent
Thierry Porte	CEO	Shinsei Bank	Japan	financial services	48	20 percent
Lars Josefsson	CEO	Vattenfall	Sweden	energy	56	10 percent
Bill Zollars	CEO	YRC Worldwide	US	transport, logistics	58	Didn't specify

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Executive: Georges Le Mener

Title: CEO and President

Company: Accor (North America)

Location: Dallas

CEO since: 2000

Age: 58

Previous position: CEO and President of Accor Economy Lodging

Sector: Hospitality

US revenues (2004): US\$1.4 billion

Some companies say their success depends largely on their ability to develop great employees. Accor's chief executive of North America, Georges Le Mener, says exceptional workers ensure the sort of service that keeps customers returning to the hospitality giant's motels and hotels. "The philosophy we hold is that if we satisfied our customers, they are going to come back again and again, and that we can (then) deliver profit to our shareholders," Mr Le Mener says. "That brings us back to the idea that we are totally dependent on the quality of the people that we have."

Accor properties are located all over the world and range from budget accommodations to luxury resorts. Global revenues grew 8% last year to US\$9.2bn, partly fueled by strong growth at U.S. budget motels such as Motel 6 and Red Roof Inn (Growth has been more sluggish at Accor's more exclusive hotels). Mr Le Mener oversaw the turnaround of Motel 6 in the early 1990s which was helped by upgrading his management team. "You need people who know their customers and their people," he says.

Mr Le Mener says quality is especially important among top executives who set the tone for the rest of the organisation. He sees talent management as a long-term process. "It takes time to develop people," he says. Towards that end, Accor has created a multi-faceted development programme featuring the company's own academies in key countries, where executives can improve their skills. The company also uses team-building exercises, executive coaching and mentoring. "We consider training the cornerstone of our company," he says.

A 37-year Accor veteran, Mr Le Mener spends about one-third of his time on talent management. On his regular agenda, he teaches an afternoon class at the Accor North America academy in Dallas every other month to groups ranging from 30 to 50 executives. Much of his audience is made up of newcomers to the organisation or managers who have been recently promoted. Mr Le Mener uses these opportunities to emphasise the company's service-oriented culture and development of talent. Managers are expected to prepare the people under them for more important roles.

These are themes that Mr Le Mener revisits frequently as he travels to properties throughout North America to talk to the staff. Such interactions also allow him to get to know promising executives. "I spend a lot of time in the field and the main purpose is to meet with people and make sure that everybody's pushing

"We use a lot of 360-degree feedback so that we make sure it not only shows the opinion of the boss but we include the colleagues and even the employees you manage."

in the right direction," he says. Mr Le Mener has 10 direct reports, as well as 10 senior vice-presidents and about 60 vice-presidents.

Accor's talent management begins with recruiting and identifying the most promising managers. In the past 15 years, the parent company has made a special effort to improve its ability to evaluate executives. The firm upgraded from a traditional system in which managers were solely responsible for reviewing someone's work to a more open approach incorporating feedback from supervisors, colleagues at the same level and subordinates. "We use a lot of 360-degree feedback so that we make sure it not only shows the opinion of the boss but we include the colleagues and even the employees you manage," Mr Le Mener says.

But Mr Le Mener says Accor, including the North American division, too often promoted executives who'd excelled in one position only to struggle in a new role. "Before, I was frustrated with the fact that sometimes you promote people that are very good performers and they don't always succeed in a (new) position," he says. "So it sounds like a waste of

talent both for the company and the individual. I feel very strongly that the company has a responsibility to promote people that are going to succeed."

As a result, about three years ago, Accor started using assessment tests to gauge executives' potential for particular management roles. New employees take an assessment test within their first three months and subsequently about once a year. The company has been especially interested in measuring the qualities of senior managers, Mr Le Mener says. He says that assessments have already enabled Accor North America to make better, more nuanced decisions about promotions. "We realise that not everyone has high potential," he says. "They may be performing well in their existing responsibility, so we don't want to disregard them. We want to help them perform as well as they can, but we would be more careful not to promote them beyond their level of competency. It's probably where we have made the most progress (in talent management)."

Mr Le Mener believes classroom work should complement well-rounded job experience, including overseas assignments. Accor likes executives to serve in at least two different countries and business areas apiece before assuming a top-level position. The company employs 168,000 people and operates hotels in 90 countries and provides services in another 50. "We like to move executives around," Mr Le Mener says.

Accor North America uses executive coaches and informal mentoring to help managers. Mr Le Mener benefited from mentors early in his career, including the company's chairman. Human resources staff determines the best way to execute Accor's talent management strategy. They create appropriate development programs and track executives' progress. They also ensure that these executives are receiving the right promotions. The head of HR sits on Mr Le Mener's inner circle. "I see HR as the group that gives a manager a second opinion and makes sure we are fair and treat everybody equally," Mr Le Mener says. "They are a facilitator." He adds: "HR makes everything happen."

Results of Accor's approach have been encouraging in North America, where Accor fills about 80% of its executives from internal candidates and the rest externally. "You need to

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bring in some fresh blood," Mr Le Mener says. Accor North America can name potential successors throughout its senior management ranks. Turnover in the middle- and upper-management ranks has been low. "I think people feel good about the company," he says. "People here are respected and I think it goes a long way in terms of adding people willing to stay with the company."

Mr Le Mener says the retention of younger executives is among the bigger challenges to effective talent management. These managers may not want to wait for promotions and may seek jobs with other organisations. Mr Le Mener says it's important to provide these people with challenging new jobs and other opportunities to advance their careers. "I have to make sure they don't want to leave the company," he says.

He says that Accor also has to be flexible, willing to adjust its talent management strategy to meet different situations. When Mr Le Mener took his job in 1992, he inherited a struggling Motel 6 operation that needed new managers. Yet there was no time to develop executives. He fired about 14 of his top 20 executives and recruited people from other companies. "It was a crisis situation," Mr Le Mener says. "Changing management was definitely what we needed to do in that situation."

Mr Le Mener says his early professional experiences shaped his philosophy toward talent management. At one point, he worked directly for Accor's co-founders, Paul Dubrule and Gerard Pelisson, who impressed upon him the importance of treating employees well. "They had a philosophy that people are the most important thing in the company," Mr Le Mener says. "That always helped me in my career. I was blessed."

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The CEO's role in talent management

How top executives from ten countries are nurturing the leaders of tomorrow

Executive: Mark Zesbaugh

Title: President and Chief Executive Officer

Company: Allianz Life Insurance Company of North America (a unit of Allianz AG)

Location: Minneapolis

CEO since: 2002

Age: 41

Previous position: Executive vice-president and Chief Financial Officer

Sector: Life insurance and other financial services

US revenue (2005): US\$2.3bn

Some senior leaders owe their talent management philosophy to a mentor. Mark Zesbaugh, the CEO of Allianz Life Insurance Company of North America, has made developing executives and succession planning cornerstones of his tenure. But it's no wonder: Mr Zesbaugh worked for Bob MacDonald, a CEO who believed that a company was only as good as the quality of its employees. Mr MacDonald mentored Mr Zesbaugh and hand-picked him to succeed him. Allianz Life sells insurance policies and provides other related services. It is a unit of a German financial services giant, Allianz AG.

Mr Zesbaugh was 37 when he took his position, which is young for a top position at a large, publicly traded company. "Bob spent considerable time developing me and working with the parent identifying me as his successor," says Mr Zesbaugh. "He was the driving force. We shared the same view of people. We very much believed what people can do, given the appropriate environment."

Mr Zesbaugh links talent management to his firm's growth. He believes that service organisations especially depend on their employees' ability to serve customers. "I don't think we would have achieved the success we've had [without good talent management]," he says. "It all starts with people. We're basically providing a promise to individuals, a promise of financial security. How that is delivered, is done with people, how products are developed is done by people. We spend a lot of time and effort in management development—development of competencies as well as leadership development."

Mr Zesbaugh spends 20-25% of his time on

talent management, setting strategy but also participating in smaller, more casual ways. He speaks to senior staff and his board regularly about personnel issues. "The CEO is the one making the commitment to leadership," he comments. "Everything will dovetail off that. I spend a lot of time with my individual people."

Allianz Life seeks confident, decisive managers who can execute strategy efficiently. But the company also values flexibility. "We have so many different personalities," says Mr Zesbaugh. "You have to style your approach based on individuals."

He evaluates his direct reports annually and holds meetings with them to discuss the reviews. They consider productivity but also how a person has achieved their goals.

For example, managers are judged on their ability to develop subordinates. "Are they empowering people?" asks Mr Zesbaugh. "Are they creating a mood of ambition, opportunity and innovation? As a leader you can't do everything yourself. You need to empower people below you so they can lift you up."

During the meetings, Mr Zesbaugh establishes goals for the following year. "You lay out clear expectations," he explains. "Some of them are very specific about project implementation. The ones around leadership are

"We have so many different personalities. You have to style your approach based on individuals."

more difficult to measure, but I tell them, 'Here's how I'm going to measure it, here's what my expectations are.'"

Mr Zesbaugh is a strong proponent of mentoring. Just as Mr MacDonald singled him out, Mr Zesbaugh has worked with Gabrielle Matzdorff, his choice to become the firm's chief financial officer. Mr Zesbaugh says that what Ms Matzdorff—who shares Mr Zesbaugh's accounting background—lacked in experience she made up for in leadership qualities. "When I spoke to the people who worked for her, those individuals had a desire to be led, which is my definition of leadership," says Mr Zesbaugh. "Leadership is not about being granted authority to lead; it's about people who work for you who want to be led by you. Everyone I talked to about Gabby was universal in how much they

would go to bat for her." He adds: "Bob MacDonald early on had a belief in me about what I could do and what I could accomplish."

The company conducts formal performance reviews at least once a year at all levels. These assessments include feedback from subordinates. Allianz Life has a number of development programmes. It also uses executive coaching to help its leaders, including Mr Zesbaugh, although he seeks advice from Mr MacDonald, the chairman of the board and other directors. "The person I learned the most from was the person who had previously had this position," Mr MacDonald says.

Allianz Life's succession plans pinpoint potential replacements for key positions over the coming year and over the next five years. Mr Zesbaugh can identify his leading candidates for CEO and COO.

The head of human resources—what the firm calls Employee Support Services—is a member of Mr Zesbaugh's inner circle of senior executives. HR is a source of ideas and helps to execute strategy. "They are constantly throwing ideas at us," he says. "What I look for from that area of the company is to look outside the box to see what other companies are doing, to see where the industry is going." The board has not specifically articulated how Mr Zesbaugh addresses talent management but it clearly wants him to have an executive team that can move the company forward.

Allianz of North America's biggest challenge is to develop executives fast enough to manage its growth and to help its parent, which regularly transfers executives within its international network. The different Allianz AG businesses may not have the same idea about what makes a great leader but Mr Zesbaugh believes this is not a problem. "No one culture is right," he says. "They're just different."

The CEO's role in talent management

How top executives from ten countries are nurturing the leaders of tomorrow

Executive: Tom Wilson

Title: Chief Operating Officer

Company: The Allstate Corp.

Location: Northbrook, Illinois

COO since: 2005

Age: 48

Previous position: Chairman and President, Allstate Financial

Sector: Insurance

Revenue (2005): US\$35.3bn

Tom Wilson says that effective talent management starts at the top. That is why Allstate's COO feels largely responsible for developing the company's 250 senior executives and ensuring that they understand the importance of doing the same with their subordinates. He says talent management is his priority. "Part of making sure that the environment is right is by developing the leaders in our organisation in a way that encourages them to do the same thing to other people," says Mr Wilson. "It's not like I can spend time worrying about whether every claim adjuster—because we have 16,000 of them—is properly trained. Therefore, he says that strong senior leadership leads to better middle management and "increases the likelihood of front-line people" developing "the right skills" for their jobs.

When someone joins Allstate's senior management team or a leading executive changes jobs, Mr Wilson meets with them two or three times. He spends about half of every business meeting on talent management. The meetings cover many different issues, even stress and nutrition. Mr Wilson has increased the role of Allstate's human resources department in talent management. Now, the HR department vets three or four candidates for every management position and is involved in the selection of managers. The head of HR sits on Allstate's inner circle of the 12-14 most senior leaders.

Mr Wilson discusses talent management regularly with his board and other senior leaders at quarterly meetings, a yearly retreat and informally. They keep tabs on 35-60 executives. Mr Wilson believes that it is important for board members to get to know executives. "Having

board members who have a good understanding of who the people are, you can get the subtleties that are so important in picking leadership," he states.

Mr Wilson can pinpoint his leading candidates for CEO and COO. Allstate has an emergency succession plan and others looking further out. These plans run two and three people deep at most positions.

He mentors his eight direct reports and three or four people a level below, although he finds it is important to do this "in a non-public way. Otherwise, they get labeled as somebody who's got a special inside track and it hurts them more than it helps them." He has frequent, informal lunches and other interactions with a range of employees. "I talk about leadership and personal growth," he says.

Mr Wilson seeks feedback about his own performance from people within the organisation and works with an executive coach. He has two mentors from other companies, including someone who has been a CEO and chairman of large, publicly traded companies.

Allstate's talent management begins with recruiting. The company aggressively seeks talented graduates and mid-career executives. But Allstate is systematic about evaluating

"If you get good results the wrong way, you don't have a really bright future here for a long time."

personnel and deciding who should be promoted.

Through an annual survey, Allstate gauges employee attitudes towards management. The study asks questions about such topics as leaders' honesty, Allstate's ability to provide clear information and job autonomy. The company uses the results to identify strengths and weaknesses in its leadership ranks. Mr Wilson links talent management to customer and employee satisfaction. Good scores equate to strong productivity.

Performance evaluations consider how people have achieved results. "If you get good results the wrong way, you don't have a really bright future here for a long time," Mr Wilson says. "We focus not only on getting results but doing it the right way."

Mr Wilson says varied job experience is the best grounding for the CEO and COO job. "To be a CEO or a COO you really have to be able to understand what other people are going through." Prior to becoming CEO, Mr Wilson was president and chair of Allstate Financial, which provided financial products targeting the retirement needs of customers. He also served as Allstate's CFO and has filled other roles for other firms. "I'm an experiential learner, so for me it [having different jobs] was important," he says.

Allstate tries to move senior executives around. For example, the person running distribution in the protection business started in the accounting department and had stints in corporate relations, pricing and ran a regional division. To help managers throughout the organisation, Allstate has created a programme called Talent Acceleration that provides development programmes and job experience more rapidly. Allstate tracks readiness for jobs at ascending levels on what it calls a Speed to Competence chart.

But sometimes Allstate may weigh the potential of candidates as much as their past performance. The company may also nurture these individuals in unfamiliar jobs, with the proviso that they are aware of the developmental challenges when they take on the role, and are well supported by more senior people. For example, when Mr Wilson was CEO of Allstate Financial, he named an inexperienced manager as his treasurer. He assigned two other, seasoned financial professionals to support him and ensure their colleague succeeded.

Allstate's biggest challenge in talent management is getting people to change. Mr Wilson says that executives may be set in their ways or have difficulty adapting to broader roles or a changing business environment. "As you move through an organisation, the skills required at different levels of leadership change and people get reluctant to abandon what made them successful and to reach out for something to make themselves more successful."

He adds: "The world keeps changing, so often what made us more successful in one environment is exactly what does not make us successful in another environment."

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The CEO's role in talent management

How top executives from ten countries are nurturing the leaders of tomorrow

Executive: Robert Care

Title: Chief Executive Officer

Company: Arup Australasia (a wholly owned subsidiary of the UK-based Arup Group)

Location: Australia

CEO since: 2004

Age: 55

Previous position: Group Knowledge Director (Arup)

Sector: Engineering, design and management consulting (professional services)

Australian revenue (2005-06): US\$75m

When Robert Care became CEO in 2004 of Arup Australasia, the company's morale was poor. Mr Care says that employees did not believe the firm was headed in the right direction. Communications between management and employees was weak. But Mr Care says since Arup Australasia bolstered its development activities and created a more open environment, the staff are feeling better about the firm. Arup Australasia is part of the UK-based Arup Group, which provides engineering and consulting services.

Among other trends, Arup Australasia is sharing information about promotions and

"There is no doubt that the older folks, such as myself, could learn an awful lot from the younger folk. Technologies are changing all the time. Enthusiasm and energy bubble up from the bottom."

succession planning. "If people aren't aware that they may be on those lists, they may go elsewhere," Mr Care says. He adds: "There are times when you are having a candid discussion when it is not particularly joyful. But at the end of the day, people respect you for being direct and honest rather than manipulative and shady. You're respected for that. People will trust you if you're like that. If you haven't got trust, then you haven't got a lot."

Has this better environment helped performance? Arup sales have risen by 25% on the previous fiscal year. He sees a link between performance and talent management. Still, he says the connection is difficult to measure.

Arup Australasia conducts annual performance appraisals. The evaluations weigh financial performance. But they score executives in seven or eight leadership areas. Executives must meet or exceed standards for their position. Written feedback specifies where someone needs improvement. Mr Care believes it is important for employees to fit into Arup Australasia's culture. Arup Australasia emphasises customer service, exceptional communication skills, an ability to execute strategy, and a willingness to learn and share information. "There is no doubt that the older folks, such as myself, could learn an awful lot from the younger folk," says Mr Care. "Technologies are changing all the time. Enthusiasm and energy bubble up from the bottom."

The company has many, different development programmes. It regularly sends executives to a two-week Leading Arup course that its parent created with the London Business School. The firm offers its own week-long course, called "Leading the Consultant of the Future", to help the top third of its executives sharpen their skills. This programme incorporates lectures, seminars and case studies. A separate initiative, called the Youth Forum, targets promising, 30-something managers. Mr Care speaks at both the Consultant of the Future and Youth Forum programmes. He also discusses talent management regularly with an inner circle of about 20 senior managers. The firm has emergency and longer-range succession plans. Mr Care confers with the board about executives on the list.

Reflecting its increased focus on development, Arup Australasia has expanded its HR department from two to eight people. The head of HR sits on Mr Care's inner circle of executives. HR is a source of ideas and responsible for executing strategy. It also provides a sounding board for employees about their career paths. The board of the parent company expects Arup Australasia to find and nurture great executives and have a succession plan.

Mr Care establishes the tone for talent management throughout the organisation. "It is about setting the culture of what's expected of people and their behaviour," he says. "I'm a firm believer that if you don't do things at the

leadership level, at the board level, then you can't expect other people to do it." Mr Care spends about 50% of his time on talent management.

He sees himself as a mentor to his direct reports and a few other people beyond his immediate circle. He credits three people—past bosses—as mentors to his career. He says that communication is crucial to good working relationships. In his first year as CEO, he emailed a one-page document, called Let's Talk, to his 600 employees about business lessons he'd learned, and how to be more productive and happy. He subsequently started holding Let's Talk Live discussion groups when he visits his firm's eight offices. During these talks, which last more than an hour, Mr Care makes an opening statement and then fields questions. The size of his audience varies from about a dozen people to 70. He says these meetings have been well received.

He would like to hold more of the Let's Talk Live events, which he has found useful for learning what people think about their jobs and his firm. "That seems to work with people because one of the problems we have is that people are often reluctant to speak their minds because they fear the repercussions."

Mr Care writes the evaluations on about half a dozen direct reports, including his CFO. He reads evaluations of other senior executives too. He seeks regular feedback about his performance. His reports and other personnel contribute input to his annual evaluation.

He says that finding talented employees and allotting enough time to develop them are major stress points. He says he could spend more time with people outside his immediate circle.

Mr Care does not see any one job as the best stepping stone to CEO or COO. Having the right skills and leadership qualities is more important. "You have to look at the skills required of the role and skills possessed by people and match those." But he believes that a well-rounded background is helpful for these roles. Mr Care joined Arup in 1977 and served in technical roles before leaving the company nine years later. His jobs before returning to Arup gave him a good grounding in a wider number of areas. "When I came back I was quite a different person, fulfilling different positions and on a much wider range of skills."

The CEO's role in talent management

How top executives from ten countries are nurturing the leaders of tomorrow

One of the things that Mr Care has learned is that he cannot transform problem employees. Earlier in his management career, he was unwilling to sever ties with these types of workers. "Today I would cut my losses sooner," he says. "I would be more realistic, tougher than I am now." He believes that even effective employees can hurt an organisation if they do not want to fit in. In one instance a few months ago, he fired a productive employee whom he'd known for about three decades. "It was one that needed to happen," he says. "It speaks of your integrity and authenticity."

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The CEO's role in talent management

How top executives from ten countries are nurturing the leaders of tomorrow

Executive: Majdi Abulaban

Title: Managing Director

Company: Asia Pacific, Delphi Packard Electric Systems (a division of Delphi Corp.)

Location: China

Managing Director since: 2002

Age: 42

Previous position: Business Line Executive Cockpits (Delphi)

Sector: Electrical and electronic systems

Unit revenue (2005): US\$834m

Talent management is the most important part of Majdi Abulaban's job. The Managing Director of Asia Pacific, Delphi Packard Electric Systems says his company's success depends on its ability to develop strong managers. As the top executive in the Chinese division of US-based Delphi Corp., Mr Abulaban formulates and oversees the firm's leadership development strategy.

Mr Abulaban believes that strong leadership has enabled Asia Pacific, Delphi Packard to execute its business plans and hit short-term financial targets. This has led to long-range growth. Revenue has increased by 17-20% annually over the past five years, while profit margins have hit double digits. Asia Pacific, Delphi Packard is a market share leader in China. Customer and employee satisfaction is high. "I'm one who strongly believes that business is about people and people are always looking for leadership, and creating a strong leadership group is extremely important," asserts Mr Abulaban. "So having the right people on the team is of the utmost priority, so my role is in all facets of that area."

Mr Abulaban spends about 35% of his time on talent management. He has 12 direct reports—his inner circle. The company's senior management team comprises about 70 people. They oversee about 10,000 employees and 14 plants throughout China. Each plant has annual revenue of US\$80m-100m.

Mr Abulaban oversees a review of these 70 executives at an annual offsite retreat. The review considers productivity, leadership skills, succession, goals for the ensuing year and individual development plans. He follows up on progress at quarterly meetings with his senior

staff. "We look at the role of that individual, where he is today, where he is capable of going, and what he needs [to do]," explains Mr Abulaban.

But much of his participation occurs in informal settings. Mr Abulaban credits two mentors—both leaders of other Delphi divisions—with helping his skills development. He mentors several direct reports and plays a more casual role advising plant managers two levels below. He holds one-hour meetings with these managers a month onsite or over lunch in his Shanghai office. When an executive comes to Shanghai, the meetings are mandatory. Discussions target job satisfaction and employee development.

Asia Pacific, Delphi Packard measures performance through revenue growth, profitability and more qualitative leadership skills. Employees provide input. Has an executive focused sufficiently on customer satisfaction? According to Mr Abulaban, this may be measured in the number of complaints or work disruptions involving the client. Is the

"Experience in multiple disciplines is extremely critical because business is moving so fast and it's so dynamic that it requires us to make quick decisions. It requires a leader to be very perceptive and to synthesise information and arrive at conclusions and decisions, and to do that you have to have an understanding of the multi-facets of the business. It's just so critical now."

executive doing a good job in communication? Asia Pacific, Delphi Packard may look at the number of meetings that took place, internal memos and press releases. Is someone doing enough to groom employees? Last year, managers had to ensure that all their employees reached a certain level in Delphi's Six Sigma development plan.

Asia Pacific, Delphi Packard head of human resources sits in Mr Abulaban's inner circle. HR works directly with plant managers and oversees the execution of development programmes. Monitoring trends and the mood of the organisation is essential. "Do people relate to the culture, do they know where we're

going?" Mr Abulaban says. "The pulse of the organisation is something that I like HR to be on top of. It's a very dynamic environment and this environment requires the organisation to be flexible."

Asia Pacific, Delphi Packard has a range of development programmes for executives at all levels. Supervisors receive general leadership training covering skills, practical information and general business topics. One course videotapes executives to help them improve their skills.

The firm sends higher-level executives to multi-day programmes in South-east Asia and beyond, including a two-week event created with the University of Michigan. Other programmes for senior managers have taken place in Singapore and the US. In an attempt to improve leadership quality across the board and build its pipeline, the company runs structured transition programmes: "As the employee progresses from one level to another we have them go through specific leadership development training," explains Mr Abulaban.

Asia Pacific, Delphi Packard has an emergency succession plan and others looking several years out. The company awards the grade of A to executives who are ready for higher positions now. Those who need a year of seasoning receive a B, while managers who need another three years of experience receive a C.

Mr Abulaban finds that cultural differences have been an obstacle to talent management. He says that in China, where he was instrumental in building Delphi's business, some managers are not comfortable confronting an underperforming employee. They may wait before speaking to the worker and only then in private. "You can't speak directly," Mr Abulaban says. "You speak indirectly and then when you want to be direct, you do it behind closed doors."

But he has learned that great leaders can be soft-spoken. Mr Abulaban was born in Amman, Jordan and educated in the US, where managers may be more expressive. "In our culture, you have to be an extrovert, you have to be charismatic." Not true in China. That makes it more difficult to judge who are the good leaders and who are not so good. You have to give them a chance and observe them." He says that he wishes he knew more about Japanese culture, where Delphi has significant business interests.

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Candor is crucial. Executives have to be able to tell people what they think. He says that the company learns from mistakes. "We bring bad news to the table," he says. "[But] we go after why did this go wrong and how can we learn from it. How can we fix it?"

He believes that the position of COO is a good stepping stone to CEO because it requires an executive to develop a strong overview of the organisation. He believes such wide-ranging knowledge is good preparation. "Experience in multiple disciplines is extremely critical because business is moving so fast and it's so dynamic that it requires us to make quick decisions. It requires a leader to be very perceptive and to synthesise information and arrive at conclusions and decisions, and to do that you have to have an understanding of the multi-facets of the business. It's just so critical now."

But Mr Abulaban does not believe that someone has to come from the industry to run a business. "Leadership is leadership," he says.

PROFILES

The CEO's role in talent management

How top executives from ten countries are nurturing the leaders of tomorrow

Executive: Scott Mac Meekin

Title: Chief Executive Officer

Company: Bossard Trans Pacific (a subsidiary of the Switzerland-based Bossard Group)

Location: Singapore

CEO since: 1996

Age: 48

Previous position: Vice-president, Global Logistics

Sector: Fasteners

Unit revenue (2005): US\$200m

Scott Mac Meekin is not consumed with building up his bench. The CEO of Bossard Trans Pacific says that in talent-hungry South-east Asia it is difficult to retain bright executives once they have the skills to be CEO or to fill other key positions. Chinese companies are especially quick to poach top managers. "My belief is that if there's a person capable of running the company effectively, they would resign because they would want already to be senior." He adds: "I'm not trying to put a lot of resources into building the bench because, given the turnover in Asia and salary inflation, which in countries like China is runaway, it's tough to keep a good guy in a second-class position. If he's capable, somebody will pick him off."

The subsidiary of the Switzerland-based Bossard Group relies heavily on headhunters and employee referrals to find new employees. Nevertheless, Mr Mac Meekin can pinpoint his own successors and replacements for most of his inner circle of 12 executives. Moreover, he believes that talent management is important. There are times when he would like to fill positions from Bossard Trans Pacific's own ranks. Last year, he had to promote an executive to a key position, although he lacked the right experience. "Is that good succession planning?" he asks. "I would have to say no. Nowhere in the group did we have a proven general manager who would or could transfer." Mr Mac Meekin says that talent management also helps executives to improve their skills, leading to better financial performance.

Mr Mac Meekin and his executives spend 40% of their time on talent management. The CEO's inner circle consists of 12 senior

executives, half of whom run divisions while the others oversee key areas, such as finance and information technology. Bossard Trans Pacific cultivates successors for these positions from a wider group of about 70 executives.

Each general manager of a business unit supervises 10-14 people. Mr Mac Meekin says this number is too large to micro-manage and means that each general manager must excel at developing strong subordinates who do not need a lot of guidance. "They have to have good-quality people in the next level," he says. "Those people have to be independent enough to know what the strategy is, know how to execute it and have to be capable of executing it."

Three times a year, Mr Mac Meekin holds progress meetings with his direct reports. The meetings can last a day and cover productivity and subjective areas. The company uses a

"Back home, if you left a mess, then probably you haven't been able to create the talent and systems and whatever are needed to create stability without you."

software programme to track whether managers are meeting goals. Bossard bases financial rewards for general managers on revenue and profit of their divisions. It bases 70% of its functional managers' compensation on results and the remainder on qualitative elements, such as their ability to develop subordinates.

The company's Total Learning Plan helps managers to improve through classroom work, Internet programmes and special events. They cover such topics as team work and changes in strategy. Bossard Trans Pacific enables several employees to pursue master's degrees.

Mr Mac Meekin also favours using project work to help executives progress. Bossard transfers promising executives from their jobs to lead year-long initiatives. As of February, Bossard had seven executives filling these temporary roles. The assignments help these managers to broaden their skills. In one instance, Bossard chose a manager from India with expertise in supply chain issues to assume a more multi-faceted role in Singapore. But these projects also test an executive's ability to develop talent in their own organisations. "Back home, if you left a mess, then probably you

haven't been able to create the talent and systems and whatever are needed to create stability without you," he says.

Bossard employs executive coaching and informal mentoring. As part of his own approach, Mr Mac Meekin invites executives from one division to join him at the monthly or bi-monthly meetings of other Bossard business units. "I'm there for a day, got the whole team in a room. We're talking about where we are, where have we been, and where we want to go. I will step back from the business unit and say [to the person accompanying him], 'What do you see here? Do we see the same things?' I don't know if that's mentoring but I think that's helping to understand the execution that we're looking for."

The CEO's role in talent management

How top executives from ten countries are nurturing the leaders of tomorrow

Executive: John Swainson

Chief Executive Officer and President

Company: CA Inc.

Location: Islandia, N.Y.

CEO since: 2004

Age: 51

Previous position: Vice-president of worldwide sales, IBM (Software Group)

Sector: Technology

Revenue (2005): US\$3.5bn

New chief executives may have to make big changes in how they develop executives and retain them. This is a major challenge. When John Swainson became CEO of CA Inc. in 2004, the company's approach to talent management was disjointed. Senior managers showed little interest in developing subordinates, relying more on outside recruiters to fill openings as the company grew. Human resources—not top executives—was in charge.

As a result, the software company lacked potential replacements for a number of its top 35 management positions. Mr Swainson, a former IBM executive, says a company with more than 16,000 employees and 1,000 executives should be able "to develop 15-20 [senior] vice-presidents capable of leading the organisation. What there was was driven by HR, and from what I can tell, talent management wasn't taken terribly seriously by the former senior management team. There just wasn't a well of inside talent. Historically, the answer at CA [was], 'We'll hire somebody for that role.' That isn't a very good answer." He adds: "The issue of organisational development wasn't taken seriously until now. So there is a big gap which we are starting to close."

Mr Swainson believes this deficiency can be costly and undermine long-term stability. "The fact that people are prepared to move into positions rapidly and can assume those positions is an important thing," he says. He adds that even a thorough recruiting process may not ensure that the right person is recruited. "No matter how good your due diligence is, you can never be sure that the person you are hiring really is well suited for the

job," he says. "You may get somebody onboard and discover that they are not really as good as you thought. That can strain growth. In a business like ours, there is such an incredible interdependency that the lack of an effective leader in one part of the organisation can actually strain another."

But CA was in a period of transition and faced other challenges. An investigation by the Security and Exchange Commission led to the resignation of the company's former CFO in 2003 and other senior executives. A year later, CA agreed to pay shareholders US\$225m to avoid criminal prosecution. Shortly afterwards, the company's former CEO and another senior executive were indicted for security fraud, conspiracy and obstruction of justice.

Mr Swainson spent much of his first year focusing on operational issues, such as revamping the firm's accounting system. However, over the past six months, he has been focusing more on personnel strategy. In a series of meetings with his inner circle of about 35 senior managers, he began last September to identify future leaders and discuss how to prepare them through training and job

"In a business like ours, there is such an incredible interdependency that the lack of an effective leader in one part of the organisation can actually strain another."

experience. He subsequently presented his findings to CA's board of directors. Mr Swainson reviews CA's current succession plan for its top executives and plans one-to-two years and three-to-five years into the future.

Mr Swainson spends 5-10% of his time on talent management, but he plans to increase this level. He sees talent management as his exclusive responsibility. He helped to assemble CA's present management team and has improved its succession planning. "We have created replacement tables that help us to design programmes that give people the skills and experience that they need to move up," he says.

Mr Swainson covers leadership development and succession at quarterly business reviews with his top executives, quarterly conference

calls with a wider circle of about 150 managers, retreats and other events. The meetings have a secondary purpose of involving promising managers in important business decisions. Mr Swainson sees his role as more strategic, while his COO supervises daily operations. Human resources is a source of ideas and ensures that the company executes its personnel strategies. "The HR guys are the facilitators," he says.

CA is in the process of creating a formal mentorship programme. But Mr Swainson already mentors executives. Along these lines, he assigns a vice-president from one of CA's business units to a six- to nine-month stint in his office. The assignments give these executives a better overview of the organisation. The company holds seminars and other talent management events, where Mr Swainson is a regular speaker. Among his favourite topics is what makes a great leader.

CA uses executive coaches, although Mr Swainson has personally found mentors to be more helpful during his 28-year business career. He says that his informal advisers taught him the importance of "clear, effective communication and common sense". These are, he says, "the two most important management attributes. The only way you can be effective as a leader is to empower your leadership team and give them as much information as you can and as much of the thought process to deal with the information so that they will make decisions that are as good as one can make. My management philosophy is what I try to impart on my team. I try to get them to the point where they would make the same decision I would make if I was in that position. That entails getting them to think logically and clearly about the issue and getting them to ask questions, to probe for data and make sure that they really understand the situation."

Mr Swainson believes a well-rounded background is the best preparation for CEO or COO, but with one caveat. He says that breadth alone is not sufficient; rather, candidates for these jobs should possess particular expertise in one area and in-depth knowledge in key categories. "You have to be acknowledged as extraordinary in what you do," he says. "That combined with breadth gives you the necessary prerequisites for the CEO job. The hardest part

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How top executives from ten countries are nurturing the leaders of tomorrow

about this job is that you have to be able to dig fairly deeply into so many different areas. You have to be conversant in what goes on in sales and marketing, product development, finance and auditing. There has to be in-depth knowledge in all those areas. You have to excel in one of them and have developed competencies in the rest."

Running a global organisation, Mr Swainson says that diversity in management is important, especially a mix of nationalities. He could see a foreign national running the company.

He embraces different management styles and says that good executives can change approaches according to circumstances. "Management styles are clearly situational. There is a time for a very authoritarian management style and a time for a more collaborative style. Effective managers understand the role they need to play and adapt accordingly."

The CEO's role in talent management

How top executives from ten countries are nurturing the leaders of tomorrow

Executive: Martin Beaumont

Title: Chief Executive Officer

Company: Co-operative Group

Location: Manchester, UK

CEO since: 2002

Age: 58

Previous position: CEO of United Co-op (the UK's largest co-operative society)

Sector: Conglomerate with varied holdings

Revenue (2005): US\$13.2bn

Martin Beaumont sees himself as the pivotal figure in talent management at the Co-operative Group. The CEO says his attitude to recruiting and developing employees shapes attitudes at the UK conglomerate. "The visibility and the role model that I present as chief executive is absolutely critical to the behaviour that we wish people to adhere to and in people recognising the importance I attach to developing our talents and using all our resources to their full potential. The leadership led by myself is demonstrating how we expect others to manage and lead."

When Mr Beaumont became CEO in 2002, the company lacked a thorough, cohesive

"Fundamentally raising the capability of the organisation has to have a significant financial return that would greatly outweigh any cost of investment."

approach to talent management. There were a few development programmes. The firm encouraged some executives to pursue MBAs. "But it [talent management] was of a more ad hoc nature," he says. "It wasn't all joined up."

Mr Beaumont saw talent management, particularly at senior levels, as vital in making sweeping changes at the Co-op. These changes would increase brand recognition and spur stronger, long-term growth. He felt that the company relied too much on recruiting to fill its senior management ranks. About four in five of the firm's approximately 200 senior executives came from other organisations. Some of these executives did not have the best training. Mr Beaumont felt that by promoting more from within, the Group could control the quality of its management team. "Our goal is to get to the

point where 70% of senior-level appointments are internal and 30% are external," he explains. Towards that end, the Co-operative Group has become more systematic about tracking performance and providing development opportunities. The company has separate pools of middle and senior executives and programmes geared to each group. Already, Mr Beaumont says that the Co-operative Group has increased the number of potential candidates for plum positions at all levels. But he admits that his biggest challenge is making these changes at an organisation with more than 50,000 employees. The board has supported Mr Beaumont's talent management strategy. "We are on a journey," he says. "The scale of changes we're driving takes time."

Mr Beaumont is not able to say exactly what the financial benefits have been so far. But he believes strong long-term growth stems largely from good talent management. That said, he believes the company is already cutting recruiting costs and other expenses that occur when companies do not hire the right people or retain talented workers. "Fundamentally raising the capability of the organisation has to have a significant financial return that would greatly outweigh any cost of investment," he says. The Co-operative Group acquired the rival Alldays convenience store chain in 2002 and another competitor, Balfour, the following year. It purchased 64 Spar and Local Plus convenience stores in 2004.

According to Mr Beaumont, deciding whom to include in the senior management pool is another big obstacle. The Co-operative Group tries to identify junior managers who can advance two levels. But it is possible to choose wrongly or to slight good managers with special expertise but not the proper background or temperament for general management roles. "You've got to make sure they understand why they're not in a talent pool for developing broad management capability," he says. "If the appraisal process is working well, then you should have that understanding of where you stand in the organisation, how you're valued, what your further potential is and therefore it shouldn't be a total shock when you find you haven't been selected for the talent pool."

Performance evaluations score employees in leadership and business categories and incorporate comments from managers. The Co-

operative Group expects workers to meet what Mr Beaumont calls performance benchmarks. In the end, he and an inner circle of seven people, including the head of human resources, decide who joins the executive talent pools. "We have a pretty rigorous selection process for being nominated," Mr Beaumont says.

The Co-operative Group then uses outside consultants to conduct in-depth interviews with executives placed in these pools. They help prescribe development programmes, possible future jobs and special project work. The programmes include workshops, retreats and group meetings. Promising executives also receive mentoring and coaching.

Mr Beaumont can name who would replace him and his COO in an emergency and executives in future succession plans. He says there are too many gaps long-range but that the company is trying to remedy this situation.

He says HR is a source of ideas and is responsible for executing strategy and tracking progress: "I see HR as a positive catalyst for change." Mr Beaumont spends about 30% of his time on talent management. He writes evaluations on his inner circle and three other direct reports. He is also copied on evaluations of other senior executives. He informally mentors several executives and oversees special projects, where he can watch talented employees in action.

Mr Beaumont believes executives should be accessible. He holds a series of luncheons with employees at all levels. "The ideal is when they do most of the talking," he says.

PROFILES

The CEO's role in talent management

How top executives from ten countries are nurturing the leaders of tomorrow

Executive: Ken Glass

Title: Chief Executive Officer

Company: First Horizon National Corporation

Location: Memphis, Tennessee

CEO since: 2002

Age: 59

Previous position: President and COO

Sector: Banking

Revenue (2005): US\$2.4bn

When he assumed the CEO position at First Horizon National Corporation in 2001, Ken Glass applied principles that had sparked the company's retail banking business for 15 years. Just as First Horizon had carefully measured customer satisfaction, it began probing how its employees, including executives, felt about the firm. He saw a powerful link between the company's efforts to develop executives, their attitudes and financial success. "The better you treat your employees, the better they'll perform," states Mr. Glass. "Development and advancement drive our financial performance."

The company relies more heavily than most on in-grown talent because of its strategy to

"The better you treat your employees, the better they'll perform. Development and advancement drive our financial performance."

build its core businesses rather than expand through acquisitions. Revenues rose 7% in 2005 from US\$2.2bn to US\$2.4bn. The company provides retail, mortgage, brokerage, insurance and financial planning services and has more than 200 branches in Tennessee, Mississippi, Texas and Virginia. "We clearly understand that we have to provide an environment that develops the companies' leaders for the future," says Mr Glass.

During Mr Glass's tenure, First Horizon has established more rigorous processes for evaluating and helping its employees to improve their skills and advance in the organisation. The company's 20 senior executives and around 180 key managers cannot accept a promotion without having a potential successor ready.

Also, First Horizon bases part of its senior executives' bonuses on their ability to meet certain employee development goals. At the beginning of the year, they must identify their most promising managers and create a development strategy for them that may include formal training and assignments. Top performers are more likely to gain promotion. "Our executives are expected to have a budget to make sure we achieve those plans for those individuals," says Mr Glass. "They commit to giving those individuals an adequate amount of time to achieve development steps."

First Horizon executives receive annual evaluations that score executives in multiple categories. Mr Glass's own most recent survey covered 40-50 different areas. But he may also provide input about other executives, even those who are not his direct reports. Executives must meet with employees "within a reasonable timeframe" to discuss evaluations.

Over five years, Mr Glass says executives with the strongest leadership scores almost invariably led First Horizon's top-performing units. Branch managers with the best evaluations had the highest customer retention and sales figures.

First Horizon has an emergency succession plan and what Mr Glass terms "planned plans" that look a few years out. Mr Glass and the board have disagreed about the readiness of a few candidates but he calls such debate healthy. "When a CEO is under 60 and is looking to retire maybe at 65, I think you're better off for there not to be one candidate head and shoulders above the others. This is especially true if you've got an ambitious group, all of whom you want to retain."

Mr Glass was responsible for contracting with an outside coaching firm to help First Horizon executives. The coaches discuss evaluations and help to design programmes to address weaknesses and enhance their understanding of the business. To expose promising executives outside the inner circle to First Horizon's decision-making process, Mr Glass invites 30 people to bi-monthly forums when he could run these events with only one-third of that number. "It's a great opportunity to make sure our people understand our culture and why we do things the way we do," he explains.

Mr Glass spends 5-10% of his week on talent management and consults regularly with his senior leaders and the board about leadership issues. He considers himself a mentor to his eight direct reports and about 12 other people who range into the middle ranks.

Regarding his biggest mistakes, Mr Glass wishes that he had named a COO sooner. He went more than three years without one because he felt that he could assume some of the COO's responsibilities and divide the rest among several people. "My board said, 'Ken, you've got to have a partner'."

Mr Glass believes that no particular job is a perfect springboard for CEO. Companies need different skills at different times. One of his predecessors came out of correspondent banking and excelled at long-range, strategic thinking. Another had been a sales manager and knew how to motivate and develop employees. Mr Glass has tried to incorporate both their strong points. He has had varied experiences at First Horizon, starting as the bank's controller. Indeed, one of his forerunners assigned him to his first retail banking post because he believed in the benefits of experiences that familiarised them with different businesses and forced them to develop new skills. "I wasn't in any job for much more than four years at a time, and about the time I got comfortable in the previous job, all of a sudden I'd get called by the CEO and he would say, 'I've got another opportunity for you,' and it would always be a tremendous challenge."

But he says that such training prepared him well for his present role. It shaped his belief that a broad-based background is best for senior roles that require multi-faceted expertise, although he also says that financial acumen is vital. "I think it would be very difficult for the leader of a publicly traded company who has to develop shareholder value to be successful while not being pretty solid in their knowledge and grasp of the financial aspects of the business."

According to Mr Glass, First Horizon needs to do a better job of moving its top executives into new areas. "I don't think we do that well today under my leadership, and my predecessor did not require that. In some ways, I've got to get that back into our process but it's difficult to take someone who is very successful in their job

The CEO's role in talent management

How top executives from ten countries are nurturing the leaders of tomorrow

out of that job and put them into another job. Maybe that isn't a promotion but I think it adds tremendously to a person's development. I'm going to be working hard to see if I can't make a couple of those moves happen before the end of this year for some very talented, younger people."

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The CEO's role in talent management

How top executives from ten countries are nurturing the leaders of tomorrow

Executive: Colin Reed

Title: Chief Executive Officer

Company: Gaylord Entertainment

Location: Memphis, Tennessee

CEO since: 2001

Age: 58

Previous position: CFO Harrah's

Sector: Hospitality and entertainment

Revenue (2005): US\$869m

According to Colin Reed, the CEO, Gaylord Entertainment's success stems from the quality of its executives and other employees. They have more direct contact with visitors to Gaylord's hotels and entertainment events, and how well these workers perform depends largely on how they feel about their company.

"Servicing people is a result of how well we treat the people that work in our organisation," says Mr Reed. Every time a convention customer stays with us for three days, he probably has 100-150 interactions with frontline supervisors, managers, directors and vice-presidents. One bad experience is a bad convention." He adds: "We have to make sure that the culture of our company around the

"We have to make sure that the culture of our company around the people side is strong. We want every single person at our company believing that this is a great organisation to work for."

people side is strong. We want every single person at our company believing that this is a great organisation to work for. It's an organisation that cares for them, that's going to nurture them and allow them to become better at what they do. That is something that we philosophically believe in. We've done very well when we measure our people through surveys. Our customer satisfaction levels are high and our customer retention levels are high."

Gaylord starts talent management at two-day orientations for new managers. The groups range from about 10 to 40 people. In welcoming remarks, Mr Reed talks about the company's

history, strategy, goals and important leadership qualities, and later conducts one-on-one meetings for at least two hours. The CFO, David Kloepfel, the senior vice-president of human resources and communications, Melissa Buffington, and other senior executives will also speak to these newcomers. "This is part of the cultural building of the business," explains Mr Reed.

Gaylord develops its 200 leading executives through its Gaylord Leadership Team (GLT) programme. Gaylord holds quarterly meetings for GLT executives, telecasting them to those managers who are unable to attend in person. Once a year, GLT executives meet at a three-day retreat, where they discuss leadership issues.

Each member in this group—vice-presidents and above—receive an annual review measuring productivity and goal achievement. Are executives motivating and developing their subordinates? Do they communicate well? Gaylord then helps executives to improve their performance through coaching, mentoring, educational programmes and new assignments, some of them lateral moves. Over the past two years, the firm has allowed two of its top dozen executives to complete MBAs. "We wanted them to be broader, we wanted them to understand finance a little more," says Mr Reed.

Mr Reed spends about 20% of his time on talent management. He discusses performance and succession regularly with his inner circle of about ten people. "We will talk about individuals, who their potential successors are, and we will talk about high potentials that are in that [GLT] programme. We want to give them special nurturing, mentoring. This process culminates with this one-day retreat where we identify action plans against the high potentials."

Each November, he and Ms Buffington review the company's top 30 executives with the board and update what he calls "the succession grid". Gaylord has an emergency succession plan, a second that looks one year ahead, and a third that considers candidates for positions two or three years into the future. "We talk about the development of each of the folks on the succession grid. It's a vigorous process. The board is deeply engaged and we come out of that meeting with alignment between management and the board."

More directly, Mr Reed completes an annual evaluation of his reports and subsequently

meets them to set yearly goals and discuss their careers. "I'll talk to them about what they need to do if they have aspirations or goals of being in my job," he says. "We'll set plans in place if the board has said, 'Yes, this is a person that we believe can go one level, two levels more.'"

He believes that top executives should have sound knowledge of various parts of the business, including finance, marketing, sales and personnel, but also strong people skills. "Breadth is important but it's breadth with the right heart."

Accessibility is important. Mr Reed also holds town hall-style meetings and regular call-in sessions via an 800 number whereby employees throughout the organisation can ask him questions. He mentors a number of executives. He likes to see them socially as well as in the workplace: "I think when you know someone well and you have trust, it makes communication easier."

The director of HR is part of Mr Reed's inner circle. Mr Reed said he was mentored early in his career by Mike Rose, the former CEO and chairman of Holiday Corporation. "We had many heart-to-heart conversations about style, behaviour and executive department. I would not be doing what I'm doing had it not been for the help and guidance of Mike Rose."

In his first year, Mr Reed had to replace a number of key executives, so that Gaylord could bring in people who were more in tune with Mr Reed's strategy. According to Mr Reed, the biggest challenge to talent management is ensuring that senior managers share the company's customer-centric approach: "We have to make sure that the top 12, 15, 20 people in the company are disciples."

Among his toughest decisions have been bypassing capable executives for more talented subordinates when filling key positions. "It is tough when you move people aside but to perfect a culture you have to do that," he says. "If you want perfection in the business, you have to make those tough decisions. You have to do it with dignity, too. You have to treat people with dignity and respect."

The CEO's role in talent management

How top executives from ten countries are nurturing the leaders of tomorrow

Executive: Shiv Nadar

Title: Chairman and Chief Executive Officer (founder)

Company: HCL Technologies Limited (a division of HCL Enterprise)

Location: India

CEO since: 1997

Age: 60

Previous position: Founder of HCL Enterprise in 1976

Sector: Technology

Revenue (2005 fiscal year ending June 30): US\$764m

Some executives believe challenging employees is the best way to develop talent. Shiv Nadar has prepared executives at his company, HCL Technologies Limited, by gradually increasing their responsibilities through promotions and project work. India-based HCL Technologies is one of two companies that make up HCL Enterprise, which is also headquartered in India. HCL Technologies is a leading provider of software and technology services. The company has more than 28,000 workers in 15 countries.

Mr Nadar founded HCL Enterprise, then known as Hindustan Computers Ltd, in 1976. He launched HCL Technologies in 1991. Typical of many technology companies over the past three decades, the company possesses an entrepreneurial style in which managers are relatively autonomous. Each of HCL Technologies' five division heads has profit and loss responsibility for their groups.

Before HCL starts considering someone for a senior role, it wants evidence that the executive is ready. For example, Vineet Nayar was CEO of HCL Technologies' infrastructure business before assuming wider responsibilities as president of HCL Technologies. "There is a fair amount of delegation and accountability, most very highly with responsibilities," Mr Nadar says.

Although it is difficult to measure precisely, Mr Nadar believes that HCL's talent management has led to strong growth, largely by ensuring high employee and customer satisfaction. Revenue rose by 35% from US\$568m in 2004 to US\$764m last year.

HCL judges individual performance mainly on a division's financial success. Groups that are meeting goals and increasing revenue indicate that a leader is outstanding. But Mr Nadar says standards must be flexible. For example, HCL may not expect the same profitability for an early-stage initiative as it does of more established divisions.

The firm also considers how someone achieves results, including how an executive manages and develops subordinates. This is indicative of the awards that HCL Technologies consistently wins as one of India's most employee-friendly companies, with strong customer service.

The company uses annual 360-degree reviews, in which employees evaluate managers to measure leadership skills. Separately, HCL conducts personality assessment tests every year or more frequently to help gauge potential. HCL seeks executives who are not only commanding but quick-thinking and innovative. The fast-moving technology sector requires as much.

Based on performance evaluations, a human resources staff of 100-200 leaders prescribes development programmes. Many of the programmes centre on workshops, some of which are offsite. Mr Nadar participates in offsite planning but not the leadership workshops. He says that HR executes the talent management strategy and provides ideas regarding development activities.

Mr Nadar spends about 30-40% of his time on talent management. He writes evaluations about his direct reports, including the CFO and president, and a few executives one level below. He can pinpoint his best CEO and COO candidates and identify immediate replacements for other key positions. HCL also has succession plans that look three and five years into the future and further beyond.

He is a strong advocate of mentoring and ad hoc coaching. Executives throughout the firm regularly stop by his office for a cup of coffee. Mr Nadar helps them "pick through a problem", He believes that there is a level of bonding at his company that may not exist at firms outside the region. It is not unusual for Mr Nadar to work at weekends with his leading executives. He sees some of them socially, although that does not stop him from making a critical assessment of their work.

But retention is HCL's main challenge, a reflection of the intense competition for executives in India. As some top managers have progressed, they have sought positions with greater responsibility outside HCL. "A lot of employees have left and become CEOs of other companies," Mr Nadar says. HCL has combated the exodus by increasing compensation, including stock options.

HCL also has difficulty convincing executives to take foreign assignments, despite the fact that it would help their careers. Mr Nadar says that people resist moving aboard for cultural reasons. Executives in India feel strong ties to their home base. To fill management gaps overseas, HCL hires executives from the US, Japan and Europe.

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The CEO's role in talent management

How top executives from ten countries are nurturing the leaders of tomorrow

Executive: Peter Johnson

Title: Chief Executive Officer

Company: Inchcape plc

Location: London

CEO since: 1999

(In January 2006 he relinquished his CEO role and became Chairman of the Board)

Age: 58

Previous position: Chief Executive of Inchcape Motors International

Sector: Automobile sales, distribution and financing

Revenue (2005): US\$8bn

When Peter Johnson became CEO of Inchcape in 1999, he decided to shake up the company. After a downturn in the mid-1990s, Inchcape was rebounding nicely. But it was a firm in transition. The organisation had jettisoned most of its non-automotive businesses. About 80% of its sales came from overseas distribution and sales outside its UK base. Mr Johnson, who relinquished his CEO role in January 2006, believed that to sustain stronger, long-term growth, Inchcape would have to fill some gaping

"It's understanding not only the individual nature of the candidate or the potential colleague but the culture into which he's going to be operating and whether that fits."

holes in its management team and replace a number of executives.

Mr Johnson estimates that during his six-year tenure he changed 65-70% of his managers. He says this transformation has played a major role in Inchcape's success over the past four years. Revenues rose 9% last year to US\$8bn, while operating profit increased 9.2% to US\$315m.

Inchcape used in-house HR staff and executive recruiters to bring in fresh blood. But Mr Johnson was also deeply involved in the recruiting, regularly interviewing candidates. He believes strongly that talent management begins by finding the right people. Yet this was often difficult at Inchcape, a large global organisation that must simultaneously create

company-wide standards and address cultural differences. Inchcape has major operations in the UK, Greece, Belgium, Hong Kong, Singapore and Australia. The management skills that work well in one country may not be so effective in others.

For example, Mr Johnson hired a high-energy former entrepreneur to run Inchcape's Hong Kong operations, where he was expected to have frequent contact with customers. But he recruited a lower-key manager for a more behind-the-scenes role in the UK. "It's understanding not only the individual nature of the candidate or the potential colleague but the culture into which he's going to be operating and whether that fits," Mr Johnson says. "That's what's been fascinating about this job because every area has a different culture, has a different set of success factors. You've got to achieve locally but blend a global team."

A few qualities were mandatory. In a service business, Mr Johnson sought people who could manage multiple suppliers and had a track record of satisfying customers. But most of all, he wanted people with a passionate belief in Inchcape, believing this would infuse an organisation that depended on sales acumen and customer service with new energy. Mr Johnson prides himself on his ability to detect this passion. "When I get people talking about what they've done, it's very easy to feel where there's passion about a job. You need somebody who comes to work for more than simply being rewarded. You can take a really difficult business and turn it around with the right person."

Over the past three-and-a-half years, a new head of HR has brought a more systematic approach to the process of evaluating executives. Inchcape now uses yearly performance appraisals that score executives in a number of categories, spotlight strengths and weaknesses and determine their potential for higher roles. Some Inchcape units also employ more informal evaluations.

To develop executives in Europe, Mr Johnson oversaw the creation of an internal training academy. The programme helps promising leaders from middle management upwards to improve their skills through course work and other events co-ordinated by Inchcape and Loughborough University in the UK. These managers may pursue an MBA at the school.

The company has also made more use of executive coaches.

Mr Johnson spent 15-20% of his time on talent management. He conducted an annual formal review of the company's approximately 100 senior executives with the board. He mentored eight senior executives from overseas business units and four from the UK. The company has three succession plans: one for emergencies, one for three years' hence and a five-year plan.

Mr Johnson sees retention as the greatest obstacle to effective talent management. In recent years, Inchcape has lost executives because it was not able to promote them quickly enough. Some skilled managers joined Inchcape rivals. "These [talented] people are hard to come by," Mr Johnson says. "They're ambitious. You develop them over a two- or three-year period. They're ready for the bigger job. The bigger job isn't available, then you lose them and, very often, they end up going to your competition." He believes that by providing better job opportunities, Inchcape has a better chance of keeping these executives. But he also believes that losing executives to rivals is a sign that the Group's development processes are working. "If 50-60% of my competition is taking people I'm developing, then that tells you the quality you've got."

The CEO's role in talent management

How top executives from ten countries are nurturing the leaders of tomorrow

Executive: Cindy Lau

Title: Managing Director

Company: Johnson & Johnson China (a subsidiary of Brunswick, N.J.-based Johnson & Johnson)

Location: China

Managing Director since: 2005

Age: 40

Previous position: Marketing vice-president

Sector: Pharmaceuticals and other medical products

Revenue: Not public

For Cindy Lau, the managing director of Johnson & Johnson China, talent management is crucial for retaining executives in an increasingly competitive market. With the advance of capitalism in China and new companies forming or foreign firms establishing footholds, demand for executives has grown sharply. Organisations often bid for the best talent, spurring executives to change employers frequently. Marketing executives are in especially short supply.

Ms Lau, who assumed her role as Johnson & Johnson's top executive in China a year ago, says that her company's job-turnover rate of 10% is well below the country's 14% average. She says that when turnover is higher, her unit's sales drag. She's been with the company for 11 years.

High turnover is a thorny issue for a company that has been seeking faster growth in China. The firm, a part of the US pharmaceutical giant, has bolstered its recruiting of university students and mid-career executives in China and beyond, and has provided better training resources, compensation and job opportunities for established employees. Ms Lau sets her unit's talent management strategy, working closely with her head of human resources, other senior executives and her board. But she is also personally involved in the development of executives. She evaluates her five direct reports every year and has input or signs off on about another seven reviews. She discusses all of these reports, individual progress and succession issues with senior staff and her board.

Ms Lau considers herself a mentor to her direct charges and three other executives from

among Johnson & Johnson China's wider circle of about 30 senior leaders. She signs a year-long mentoring contract with the second group. At the outset they establish goals related to productivity, improvement in key areas and assignments, which may include lateral moves. On a number of occasions she has taken them to meetings in order to expand their expertise.

Johnson & Johnson offers training programmes that combine online and classes headed by outside management consultants. Ms Lau regularly participates in these events, thereby honing her coaching and planning skills. The company also regularly assigns promising executives to different businesses, including positions in Europe and the US to round out their skills.

The overseas assignments and other jobs may require executives to step out of their comfort zones and develop key skills. For example, Ms Lau says that Chinese executives lack experience managing large, so-called key accounts, such as Wal-Mart or Costco. These accounts compose about 80-90% of Johnson & Johnson's business in North America and Europe but represent about half that amount in China. "Most of the time we send them [executives] to a more difficult market, a more difficult category. Sometimes it's experience that they can't accumulate fast enough in China. If I send them to the UK or US, which are really very developed in the key account management, they can learn much faster."

But Ms Lau believes that a marketing vice-president, the job she held prior to taking her present position, is a particularly good stepping stone to the managing director title. "Consumer product companies rely very much on marketing, creating and innovation to consumer. Also, marketing is normally handling profit and loss for the brand already. So working as the marketing vice-president, I was already responsible for the P&L for the total company. So I had very good experience in managing the P&L. I also led the strategic [direction] for the company."

Company-wide leadership profiles consider excellence in ten categories: integrity; strategic thinking; attention to detail; organisation and talent development; intellectual curiosity; collaboration and teamwork; the ability to get things done quickly; self-awareness; adaptability; and results. They are also used as a

framework to evaluate potential incoming employees.

Formally, Johnson & Johnson evaluates its executives once a year. The company's assessments score their performance on a 1-9 range—nine is best—in seven major categories covering their ability to meet financial goals and more subjective areas, including their success in developing employees. A separate section determines these executives' status in Johnson & Johnson China's succession chart.

The company has three succession charts: "ready now", candidates who could step into a role immediately; "ready later", which considers readiness one to three years into the future; and "ready future", which looks more than three years down the line. Ms Lau says that Johnson & Johnson China's ready-now succession pipeline has gaps. For example, she has yet to find someone who could step into her job in an emergency.

Yet Ms Lau has found that retaining employees who might fill these roles can be difficult. She met twice within a week with a talented manager to convince her that her future was brighter at Johnson & Johnson China than at a competitor who was offering a better title and more money. One of the meetings occurred after office hours when Ms Lau met the executive "as a friend giving her career advice rather than as a boss". "I discussed her development plan very clearly in this company," Ms Lau says. "I spelled out what she could be if she could do all our development areas." The executive is now a likely successor to one of Johnson & Johnson China's most senior roles.

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The CEO's role in talent management

How top executives from ten countries are nurturing the leaders of tomorrow

Executive: William Hawkins

Title: Chief Operating Officer

Company: Medtronic Inc.

Location: Minneapolis, Minnesota

COO since: 2004

Age: 52

Previous position: Senior vice-president and president of Medtronic's vascular business

Sector: Medical devices

Revenue (2005): US\$10bn

Replacing key executives is costly. Bill Hawkins, Medtronic's COO, estimates that it costs US\$500,000 to recruit or relocate top executives. This dovetails with several surveys that say replacing an executive may cost the equivalent of 150-250% of a position's compensation.

Mr Hawkins ties Medtronic's growth in recent years to its ability to develop great executives. While he says he is unable to provide statistics linking talent management to performance, revenue has grown from US\$6.4bn in 2002 to US\$10bn last year. Net income nearly doubled over the same period. The company is a leading provider of medical devices, such as defibrillators, pacemakers and spinal implant devices, as well as drug delivery systems. It has a successful history of

"When you have a company like Medtronic where we have a number of different businesses, we have a unique opportunity to develop future leaders internally by taking them out of their comfort zone and placing them in different functions, businesses and geographies."

expanding through the development of new devices and the acquisition of other companies with promising products. Over the past decade, Medtronic has purchased such companies as Arterial Vascular Engineering, Sofamor Danek Group, Xomed Surgical Products, VidaMed, MiniMed and Transneuronix.

Mr Hawkins spends about half his time on talent management. Medtronic recruits from top

graduate schools and moves its recruits into an "onboarding programme" that familiarises them with the company's businesses. Top performers may subsequently move a few times over the ensuing two years.

Thereafter, each of these executives settles in one division and is reviewed quarterly by Mr Hawkins and a committee of senior managers. More thorough, annual assessments may consider whether an executive is ready for the next move. Leaders are scored "low", "medium" and "high" in different categories, including their knowledge of Medtronic's businesses, skill in handling customers and staff, and the productivity of their unit. A Peoplesoft software application for recording and storing performance-related information enables Medtronic quickly to compare leaders in similar jobs. Executives who measure near the top win plum assignments and advance to Medtronic's "senior pipeline".

At this stage, many executives are considered in talks about succession, coaching and key job opportunities. Mr Hawkins discusses talent management with Medtronic's CEO, Arthur Collins, on a monthly basis and conducts a week-long review with him at the start of the year. Medtronic has about 200 senior-level executives.

Medtronic uses a number of in-house programmes to help promising executives enhance their skills. The firm sets the curriculum at these two- and three-day events and hires outside consultants with expertise in leadership. Later this year, Mr Hawkins will unveil a new Global Leader Programme, requiring leading executives to spend a week at a time at three separate Medtronic business units. Mr Hawkins designed this programme but entrusts HR to fine-tune others, track performance meticulously and compensate executives. "More and more, HR has become a strategic partner to the business unit heads to make sure that the organisational strategy supports the overall corporate strategy," says Mr Hawkins. "Corporate strategy precipitates structure, which precipitates skills."

Mr Hawkins believes that executives seeking high-level positions should not stay in one job for more than about five years. At Eli Lilly, early in his career, he had stints overseas and in operations before becoming CEO of one of Lilly's divisions. "I go back to my own personal

experience. My past experience helped to shape my views on what we ought to be doing. When you have a company like Medtronic where we have a number of different businesses, we have a unique opportunity to develop future leaders internally by taking them out of their comfort zone and placing them in different functions, businesses and geographies."

Mr Hawkins sees two main challenges to effective talent management. With a global workforce of 32,000, the company has to work hard to pinpoint its best employees. Timing promotions and helpful lateral moves may also be difficult. Promoting from within may simultaneously create several new holes in succession and shake up stable, productive working relationships. Sometimes Medtronic may have to leapfrog a more suitable person over a capable manager who is not qualified for a promotion. Such measures carry their own sensitivities, increasing the risk of an individual departing. "I think the challenge or the tough things are really facilitating change when things aren't broken," explains Mr Hawkins.

The CEO's role in talent management

How top executives from ten countries are nurturing the leaders of tomorrow

Executive: Michael Critelli

Title: Chief Executive Officer

Company: Pitney Bowes Inc.

Location: Stamford, Connecticut

CEO since: 1994

Age: 57

Previous position: Vice-chairman

Sector: Mailing, shipping and weighing systems

Revenue (2005): US\$5.5bn

It pays to develop subordinates at Pitney Bowes. The almost century-old provider of mailing, shipping and weighing systems bases its executives' bonuses partly on their ability to ready successors for key jobs, says its CEO, Michael Critelli.

Mr Critelli believes that strong succession is a sign of stability, which is vital for long-term growth. In its succession scheme, Pitney Bowes has at least two people in line for most positions, including 10-15 potential candidates for CEO and other senior positions. Pitney Bowes' revenue grew 11% last year to US\$5.5bn.

Pitney Bowes knows who would replace Mr Critelli or the company's most senior executives in an unexpected situation. The company also has succession plans that look three, five and ten years out. Mr Critelli plays the lead role in updating these plans in consultation with his inner circle and the board. "I do a fairly detailed analysis of senior managers that I share with the senior team and with the board," he explains. "I derive from that what I think are the must-haves—the core competencies that an individual needs to have to be the CEO in that environment. Then I go through a process with my senior team and with the board of evaluating a core group of executives against those competencies and talk to them about development action that we're going to take to have ready successors—short-term, medium-term, long-term because I'm looking at four dimensions relative to CEO succession. The number one succession time frame is: 'What would happen if I were hit by a bus tomorrow?' I've got to file with the governance committee, chair of the board and the presiding director of the board my recommendations as to what the board should do if that were to happen. I then

look out three to five years, five to seven years and then eight to ten years."

He adds: "I look at different potential leaders for each of those timeframes. It helps us to see where we need to shore up our talent and where we think we're in good shape, and it also creates a sense of urgency to make developmental moves. Very often what we find is that we will go to an individual and they'll say, 'I've got children in high school. I really don't want to relocate until 2007,' and we say 'Can you accommodate an earlier move to position yourself to take advantage of more career options?'"

Mr Critelli says his group reviews productivity and such areas as customer loyalty. But it also weighs executives' performance on annual employee evaluations. There is a key element in these appraisals, which incorporate scoring and written segments: Is the executive helping people to develop the skills they need to advance their careers?

The annual assessments are part of a meticulous, ongoing process. Mr Critelli estimates that he spends about 25% of his time on talent management. He discusses leadership regularly with his senior management team, called the Enterprise Leadership Council. He covers leadership and succession along with other issues at skip-level meetings, so-called because they involve about 200 executives more than one level below. Mr Critelli conducts 150-160 of these meetings annually. He also holds a set of about eight meetings with "emerging strategic leaders", individuals who are between 25 and 35 years old and who Mr Critelli wants to know better. "There are things that I am doing during the course of skip-level meetings that don't involve leadership development," Mr. Critelli says. There's a lot of give and take. He adds: "I am communicating operational insights, I am getting people to understand my thinking, but I am also evaluating the people with which I am talking."

Pitney Bowes has a number of development programmes for people at all levels. The company offers week-long retreats on leadership for vice-presidents and above. Executives may attend three of these events over 18 months. Among other topics, they cover personnel and leadership issues. Mr Critelli addresses these groups about once every six weeks. "I give people the benefit of my

experience and hold Q&A sessions with them."

Mr Critelli sees no one position as a particularly likely springboard to his job. His two predecessors came from financial and marketing backgrounds. His current COO started in sales. One of his unit presidents was an engineer. "There was not a single historical pattern," he says. "We have diverse leadership."

But Mr Critelli believes that executives learn their most valuable lessons through experience. Pitney Bowes encourages key managers to serve on boards and to accept assignments—jobs or projects—outside their expertise. "If somebody is in a job in which they are used to managing people that are close to them, you give them a remote management assignment or you increase the size of the business that they run or you give them a business with multiple functions," he says, adding: "There are task forces or working groups over which you might put someone in charge. I have a crisis management and emergency team that deals with challenges like a response to Hurricane Katrina or the New York City transit strike or the tsunami. We will put someone in charge of that team for a year to 18 months."

Mr Critelli was the firm's chief legal council for years before becoming CEO. He says that he probably would have been better off at the outset with experience running business divisions. A one-time rival for the CEO job helped him to shore up his weaknesses before the executive left the company. "I had run staff functions and been very effective but it's a different environment going from running staff functions to running multiple lines of business. I never really had the apprenticeship of running a sales organization, a factory or an operations function like a call center. I didn't have the nuances down when I took this job and I had to learn on the job," Mr. Critelli says. "I had the help of a capable COO when I started, but he aspired to be a CEO somewhere else, which he ultimately did. But it would have been better, probably for both of us, if he became a CEO somewhere else earlier because I was fully qualified to take on the CEO job without a COO earlier than we actually made the transition."

Mr Critelli believes that executive coaching is helpful over limited periods and in addressing specific issues. "It's like psychiatry; sometimes people develop a co-dependency relationship and I think it's good that executive coaches do

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The CEO's role in talent management

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their assignments for a period of time, and then as the executives develop and grow, maybe a different executive coach is required," Mr. Critelli says. "I've had several different executive coaches and each has been valuable to me at a point in time."

He believes that communication skills, especially the ability to listen carefully, are extremely important. Pitney Bowes requires executives to conduct town hall-style meetings, where groups from the company's 34,000 employees can ask questions or offer suggestions. No topic is out of bounds. Mr. Critelli is often in attendance, observing how executives behave. "What I find is that the people that do not listen well clutter meetings with speeches and show and tell and leave relatively little time for questions. When I'm putting together the agenda for a meeting, I leave more than half the time for questions."

For Mr. Critelli, the biggest challenge of talent management is determining promotions. He says that may require advancing a manager over a supervisor with less potential. Such leapfrogging may create ill will or result in the higher-level executive leaving the organisation. "Figuring out how to manage where you put that individual and where you make room for the people under them that truly do have potential is by far the biggest challenge we have," he comments. "Sometimes you move people sideways. Sometimes you have to ask people to leave the company. You have the odd problem that even though they're doing a good job, you have to say, 'You know it's crowded at the top here and you're not moving up. You might be better off moving somewhere else.' It is very, very difficult because you don't like to lose good people."

The CEO's role in talent management

How top executives from ten countries are nurturing the leaders of tomorrow

Executive: Michael Wilkins

Title: Chief Executive Officer and Managing Director

Company: Promina Group

Location: Australia

CEO since: 1999

Age: 49

Previous position: CEO of Tyndall (Australia-based financial services company)

Sector: Insurance and financial services

Revenue (2005): US\$3.5bn

For Michael Wilkins, talent management offers the best opportunity for a chief executive to help build a legacy. He says that the people he develops can determine the direction of a company for years. Developing talented executives and making sound decisions about succession can ensure that a firm builds momentum. Poor choices can stunt its growth.

There are shorter-term benefits. Mr Wilkins ties his firm's robust growth over the past three years partly to its sound talent management. Promina's profits rose by 10% in 2005 to US\$377m, largely because of its ability to address growing demand for its general insurance products in Australia and New Zealand.

Mr Wilkins is not able statistically to measure how much of that improvement stems from its talent management. But he believes that the organisation is operating with greater efficiency and insight into its markets. He sees himself as the primary architect of human resources, albeit with significant input from his head of human resources and other senior executives. Talent management is a standing item on the agenda at Mr Wilkins' monthly meetings with an inner circle of eight senior leaders, who include his chief operating and chief financial officers. At these gatherings, they discuss the performance of individual executives, personnel development plans and succession. Talent management is a regular topic at a wider meeting of about 80 executives that takes place half-yearly.

Every six months, Mr Wilkins also reviews the performance of about 20 key executives and Promina's succession strategy for his board. The presentations consider the productivity of

someone's group, success on recent assignments, and leadership strengths and weaknesses. The Promina board's involvement in talent management reflects a broader trend in Australia, where boards are playing a more active role in ensuring companies identify and deploy executives more effectively.

Mr Wilkins says Promina wants leaders who can create new business strategies, communicate with their employees and execute their plans. It looks for a strong sense of commitment to the company and an ability to treat employees in such a way that they feel equally positive about Promina. "You're demonstrating that you care for the organisation and the people."

Promina's formal evaluations use 360-degree feedback, in which bosses and employees review each other's performances. A score card measures leadership "aptitudes", productivity and more subjective criteria, including their success in developing talent below them. Based on these assessments, Promina prescribes a training plan that covers both the skills and experiences that they will need in order to move ahead.

Promina uses executive coaches, mentoring and retreats that incorporate classroom work. Mr Wilkins mentors two senior executives. He spends 15-20% of his time on talent management. He sees human resources as a "provoker of ideas", offering suggestions for improving talent management. Yet he does not rely too heavily on HR, believing that accountability for talent management lies within the business units.

As to the appropriate background for his job and the COO position, Mr Wilkins favours broad-based experience over technical expertise in one or two areas. He was an accountant and investment banker before joining Promina: "Breadth of experience and breadth of view is quite important as you get into these upper echelon positions."

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The CEO's role in talent management

How top executives from ten countries are nurturing the leaders of tomorrow

Executive: Maarten J Hulshoff

Title: Chief Executive Officer

Company: Rodamco Europe N.V.

Location: Rotterdam

CEO since: 2001

Age: 58

Previous position: CEO of Rabobank International (part of Netherlands-based Rabobank)

Sector: Real estate

Revenue (2005): US\$845m

Maarten Hulshoff ties Rodamco Europe's fast growth to the quality of its management team and other employees. The Dutch real estate development company has been acquiring shopping centres throughout Europe, including major European hubs, Paris, Lyon, Madrid, Barcelona, Vienna, Prague, Warsaw and Budapest.

With so many international holdings and a management philosophy of delegating responsibility, Rodamco requires executives who understand regional business conditions but can also see the big picture. Senior leaders work with more junior managers on local decisions and company-wide policy. "We have created an interesting balance of being European while local in most of our countries," Mr Hulshoff says. "In France our team is French, in Sweden the team is Swedish, in Poland it is Polish."

Talent management begins with recruiting. Rodamco relies on executive search firms to find the right people. Mr Hulshoff favours people with backgrounds in real estate development and retailing. He also likes to see a résumé filled with blue-chip organisations and experience in helping companies to grow rapidly. Mr Hulshoff spent two decades as an executive with Citigroup and was CEO of the Dutch financial services firm Rabobank. "I like to recruit from well-established corporations with a very strong culture where people have learned tricks of the trade to manage their people and provide clear leadership," he says. "I'm looking for people who have lived through changed management and changed leadership. People who have an open eye to reach the future and keep adding onto the best practices of the past—that's the right mix."

Managers are responsible for developing

executives in their own groups. They measure performance through annual evaluations, which combine scoring in leadership categories and essays. Based on these reviews, executives outline a development plan. The firm has a formal mentoring programme that pairs senior and junior executives. Mr Hulshoff himself mentors four people. The firm also uses coaches to work with those people who are adapting less readily to new ways of doing things. "The speed of the move in business depends on the slowest mover, unfortunately."

Separately, Rodamco conducts two leadership development forums lasting three to four days, where Mr Hulshoff and other senior managers speak about strategy and leadership, along with smaller events. A two-day retreat last year required about 70 executives to engage in team-building exercises. In one drill, the executives split into groups and had to solve theoretical business problems—but with a twist. Junior executives assumed leadership roles while more senior-level managers were subordinate. "The exercise showed people how to lead for themselves," explains Mr Hulshoff.

Rodamco has two potential successors respectively for the CEO and COO roles. Its wider succession plan covers about 35 senior-level positions immediately and also three to five years into the future. Rodamco's board focuses more on financial performance and entrusts Mr Hulshoff to oversee talent management. But he

"We have created an interesting balance of being European while local in most of our countries. In France our team is French, in Sweden the team is Swedish, in Poland it is Polish."

says directors may become more involved. Mr Hulshoff's head of human resources is a member of his inner circle of executives and ensures that Rodamco is executing its talent management strategy. "HR is a facilitator," responds Mr Hulshoff.

Mr Hulshoff spends about 20% of his time on talent management. One of his challenges in talent management is keeping people satisfied with their positions until he can promote them. He says that he cannot simply transfer an executive from one country to another. He prefers to advance people within their own

countries because they understand the language and business environment.

Rodamco encourages executives to be accessible. Mr Hulshoff often speaks to Rodamco employees at all levels, frequently on site. He says that he knows about 50% of the company's roughly 600 employees by name and the rest by appearance.

He seeks advice from people inside and outside the organisation. "I am a fairly open person in terms of asking people about advice," he says. He likes to meet his informal advisers in casual settings. "I'd rather drink a good glass of wine with one of those guys than have them watch their clock tick and pay by the minute."

The CEO's role in talent management

How top executives from ten countries are nurturing the leaders of tomorrow

Executive: Thierry Porte

Title: President and Chief Executive Officer

Company: Shinsei Bank Limited

Location: Tokyo

CEO since: 2005

Age: 48

Previous position: President, Representative Director and Branch Manager, Morgan Stanley Japan

Sector: Financial services

Revenue (2004): US\$1.5bn

Some chief executive officers use innovative strategies to upgrade talent management. When Thierry Porte became CEO of Shinsei Bank, he thought the bank would benefit through the creation of a new position, Chief Learning Officer (CLO), to strengthen training and development, especially for the bank's senior executives. This was new ground for the Japanese bank. But Mr Porte looked at what a number of successful US organisations had done. He was also influenced by Harvard business school professor, Tom DeLong, who serves as a consultant to Shinsei.

The CLO works directly with Mr Porte and the head of human resources, who plays a more strategic role than in some companies and oversees other performance management-

“What we found in surveys of our employees over the last two years is that they are interested in ongoing learning as a way of enriching their own experience, developing their careers, deepening their knowledge and improving their skills,”

related operations, including salary and benefits. “What we found in surveys of our employees over the last two years is that they are interested in ongoing learning as a way of enriching their own experience, developing their careers, deepening their knowledge and improving their skills,” says Mr Porte. “Learning takes a variety of forms. Some of that is management development. Some of that is leadership development.”

Mr Porte took his position at a time of

significant change. In 1998 the Japanese government nationalised Long-Term Credit Bank of Japan, and two years later sold it to US-based Ripplewood Holdings. Long-Term Credit subsequently changed names to Shinsei and moved more into retail banking. The company now offers such services as deposits, investments and mortgages, along with bond sales, underwriting and public sector finance.

When he took his position in 2005, Mr Porte decided to shake up parts of the business. He abolished the seniority system and installed 360-degree performance reviews. The company also began hiring more aggressively from outside the bank. About 10% of Shinsei's workforce are recent university graduates who joined the firm after the creation of Shinsei, Mr Porte says. Another 40% of staff are mid-career hires. The remaining employees were Long-Term Credit bankers.

Shinsei has contingency and longer-term succession plans. Once a quarter, Mr Porte expects to discuss succession and performance development with an inner circle of about 15 executives. He also reviews both areas regularly with his board.

Shinsei Bank's performance evaluations score employees in leadership and other categories and incorporate written feedback. The bank offers a range of formal development programmes. They include classroom work, role playing and testing. The bank tries to target specific skills and issues in each activity. Mr Porte said that Shinsei intends to add programmes, some managed in-house but others directed by outside consultants. Mr Porte plans to teach a leadership course that will meet once a week and run eight to 12 weeks. He envisions other Shinsei executives teaching similar classes.

Shinsei will also provide more opportunities for promising employees to pursue an MBA and shorter two- to three-month programmes. Two Japanese organisations, Hitotsubashi and Globis, enable workers to schedule classes after work. Mr Porte believes that these programmes help personnel to improve their skills and create networking opportunities.

Mr Porte spends 15-20% of his time on talent management. He is responsible for the development of employees throughout Shinsei Bank. “Very specifically [my responsibility] is to

work with the senior team in developing their capabilities but also to assist them in coming up with ideas, concepts, procedures, policies, to develop their workforce all the way through the organisation,” he says. “It is one of the most important things I can do.”

Sometimes foreign executives have difficulty managing employees because of cultural differences. Policies and programmes that may be just right in one country may be a poor choice in others. Communication can be tricky. That can be tricky, especially in Japan, which has long-standing business traditions. Mr Porte says that he has been careful about the changes and programmes he has pursued.

Among Mr Porte's biggest challenges is communicating the importance of talent management. “I'm making sure that it's not just something that people see as a burden but really as an opportunity both for personal growth as well as for a contribution to the company.” He adds that it is also important to install programmes that are right not only for a Japanese company but also to help his firm's foreign employees. “We are working very hard to create things that fit into the context of Japan,” he says. “We have to have things that actually work here and that's an area where we're creating the content ourselves.”

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The CEO's role in talent management

How top executives from ten countries are nurturing the leaders of tomorrow

Executive: Lars Josefsson

Title: Chief Executive Officer

Company: Vattenfall AB

Location: Stockholm, Sweden

CEO since: 2000

Age: 56

Previous position: President and CEO of Celsius AB

Sector: Energy (provides electricity to 5.8m customers)

Revenue (2005): US\$16.2bn

Large companies growing through acquisition have a tough time unifying management teams. They must decide who would be best in which position and update their succession plans. Lars Josefsson, the CEO of Vattenfall AB, believes that the Scandinavian energy giant has done a good job of picking the right team. "As the company has grown with the addition of different companies in different countries, I think we've been successful in building one company with one identity. I feel good about the management team we have in place."

Stockholm-based Vattenfall provides electricity to nearly 6m customers in Sweden, Germany, Finland and Poland. Revenue nearly tripled between 2001 and 2005, from US\$6.5bn to US\$16.2bn. Net income shot up from US\$400m to US\$2.6bn. Last year it acquired power plants owned by a Danish rival, Elsam.

Communicating Vattenfall's strategy and goals throughout such a large, international organisation is essential for the company's 200-250 upper-level executives. Helping executives to develop communications skills is among Vattenfall's biggest talent management challenges.

Mr Josefsson tries to lead by example, travelling throughout the Vattenfall network to meet employees. He also reaches out to workers via videoconferencing and e-mail. He expects senior executives to be just as active. The firm conducts much of its business in English. It overcomes language barriers with line employees by using translators. "I believe it's important that the chief executive has a presence for basically all employees," says Mr Josefsson. "The leadership quality that is

necessary is to lead and explain and communicate the way forward."

The former naval officer and inventor spends about 10% of his time on talent management. He evaluates his ten direct reports and discusses these written reviews at sit-down meetings, but also has more casual interactions. Although he does not mentor anyone, he feels that he is easily accessible.

Mr Josefsson felt well prepared for his job because he had already been a CEO for three years at Celsius Group AB, an advanced technology company with interests in defence, commercial aviation and business development. He says that the best preparation for a CEO is managing a large business group or division. International experience is also important. He believes that executives should have both a good overview of Vattenfall and an in-depth understanding of its different businesses. Yet he also believes that the company could do a better job rotating executives throughout the organisation. "We are an organisation operating in different cultures and market conditions. It is definitely a requirement or a necessity to have been exposed to different environments."

The company's board of directors receives a yearly rundown of leading executives and succession plans. Vattenfall has immediate and longer-range succession plans. Mr Josefsson knows the leading potential candidates for CEO

"I believe it's important that the chief executive has a presence for basically all employees. The leadership quality that is necessary is to lead and explain and communicate the way forward."

and other key positions. But he says that the board has the final say on appointments. "When it comes to appointing a successor for the CEO (e.g., myself), this is, of course, the responsibility of the board and not myself," he says. "However, the other top positions in the company are within my responsibility and succession plans are continuously updated."

Vattenfall's evaluation system scores executives on whether their groups have met their financial and other goals. Managers also receive critique from their subordinates in a survey called My Opinion. "Every manager has

to undergo a regular evaluation of their leadership skills, that is, what his people are saying about him or her as a leader," Mr Josefsson explains.

Vattenfall has three development programmes beginning with the Core level, then Advanced and finally Executive management for its most senior executives. Mr Josefsson addresses executives regularly in programmes about strategy, goals and leadership qualities. The company provides a yearly management seminar for its top 250 executives. Discussions at this event cover development, potential promotions and succession. The HR department provides ideas about talent management and executes strategy. "They are in charge of how to run the process," says Mr Josefsson.

The CEO's role in talent management

How top executives from ten countries are nurturing the leaders of tomorrow

Executive: Bill Zollars
Title: Chief Executive Officer
Company: YRC Worldwide Inc. (formerly Yellow Roadway)
Location: Overland Park, Kansas
CEO since: 1999
Age: 58
Previous position: President of Yellow Transportation (a division of YRC Worldwide Inc.)
Sector: Transport and logistics
Revenue (2005): US\$8.7bn

Coach Bill Zollars? This is not what YRC Worldwide's 70,000 employees call their CEO. But Mr Zollars sees parallels between his job and the head coach of an athletic team.

Just as coaches design strategy to help players improve, Mr Zollars is responsible for his staff's growth, starting with senior management. He says that senior managers set the tone for their organisations. If they are performing exceptionally, so do the people below them.

While Mr Zollars cannot statistically measure the benefits of his talent management processes, he links YRC's strong performance in recent years to the quality of his executives. Following major acquisitions in 2003 and 2005,

"Companies that don't manage their talent well are not going to be successful in the long term. In any business, the only sustainable advantage you have is talent."

YRC revenue rose by 30% last year to US\$8.7bn, while net income increased by nearly 60%. The company has expanded significantly worldwide, especially in China, through a series of joint ventures. To reflect its growing international presence, YRC renamed itself from Yellow Roadway on January 5th 2006. Two weeks later, the board of directors awarded Mr Zollars a new five-year contract, saying that the agreement was "beneficial to its shareholders".

Mr Zollars says that when he assumed the CEO's role in 1999, Yellow Roadway was less

thorough about monitoring its employees' performance and providing training and other resources to help them improve. But Mr Zollars made talent management one of his priorities. YRC now scores executives on the productivity of their units—revenue growth, profitability and customer satisfaction. But the company equally weighs how managers have achieved their goals.

"The cumulative effect of doing a good job on talent management is how the company performs, so that's the overall report card that everybody gets," explains Mr Zollars. "Companies that don't manage their talent well are not going to be successful in the long term. In any business, the only sustainable advantage you have is talent. Revenue growth, the ability to attract new people so you continue to infuse the company with new talent, all these changes are kind of measures of how well you're doing." But Mr Zollars adds: We want to make sure that people are doing the right things and doing them the right way."

Mr Zollars says that YRC is receptive to different management styles, assuming the company leaders are communicating with their employees successfully. YRC measures its leaders on whether they have been successful. "I think people have asked in the past: 'Is it more important to be respected or feared?' Fear is a terrible way to motivate people. So our focus is on making sure people generate respect from the teams they're leading. Business is a team sport and you need to get the maximum out of your team. We try not to reward fear-based leadership or a big large focus on command and control."

YRC uses coaches from outside consulting firms to help its executives. But Mr Zollars finds that experience is the best teacher and that young executives should move around in order to learn a variety of skills. He says a generalist background is more important for CEO aspirants than specific technical expertise. He sees the COO job as the most logical stepping stone to his position and encourages promising executives to step outside the role they think they are best at. YRC recently assigned a potential CEO or COO candidate as chief integration officer and a member of the key China expansion team, although this executive lacked experience in these areas. But Mr Zollars

believed that he would succeed.

Earlier in his career, Mr Zollars spent lengthy periods in overseas assignments in Europe and Japan and headed operations for Yellow Roadway. "I benefited from the breadth of experience and ability to see things from different perspectives. We try to provide opportunities for people to see the business from different angles and different experiences outside their comfort zone. One of the stress points is that business is becoming more global every day. So getting people who can really focus on that, and understand the dynamics of having a global marketplace, is pretty tough to find."

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