

Leadership and Talent 4.0

People before strategy – and the role of the CPO



ODGERS BERNDTSON

The next industrial revolution is around the corner. Or maybe it is already here.

Even before the pandemic, we were facing a new disruption. Artificial intelligence, robotics, the internet of things, massification of the internet and the development of nano materials will impact close to every aspect of organisations. Not to mention it's impact on our society, labour relationships, health, education and many other areas.

What makes this revolution different, is the pace of change that organisations are facing.

Today, the amount of knowledge and data duplicates every 12 months, it takes only 19 days for applications such as Pokémon Go to reach 50 million users and another few weeks to disappear.

The consequence is that competitive dynamics are changing fast. Barriers of entry tend to be much lower (also because of the abundance of funding and access to spare capacity of technology platform such as Amazon AWS), competitive advantages are harder to find and less sustainable.

A clear illustration is that at the beginning of the 1990's the most valuable companies operated in industries that existed for decades or even centuries (General Electric, Shell, Coca-Cola, Nippon Telegraph, Exxon Mobil), 3 out of 5 of today's most valuable companies didn't even exist 25 years ago (Alphabet, Google and Facebook) and the two others (Microsoft and Apple) are also technology companies.

There are two key ways to respond to these forces successively.

First, companies need to adapt the way they operate. Competitiveness will be based less on tangible assets, but more on an organisation's capacity to understand trends and adjust quickly. This agility is only possible with the right talent.

Second, if leadership and talent are at core of the competitive advantage, it must be at the centre of the C-Suite's agenda. Going forward, the top management must not only 'sponsor' talent management initiatives, they will have to 'own' them: from C-Level sponsorship to C-Level ownership.

So, the issue becomes how to manage talent in this new context.

To gain real insights into how to address this challenge, we asked 16 executives in charge of their HR operation to co-create an answer focusing on 3 questions:

- "How will the future context impact talent management in organisations?"
- "What will be the strategic priorities of the Chief People Officer and business leaders?"
- "What competencies will Chief People Officers and business leaders need to lead change?"

FIVE PRIORITIES OF LEADERSHIP AND TALENT 4.0

Managing people is not an exact science and, in times like these, companies need to test, fail and learn until they discover what is most effective way to manage people.

Our 16 co-authors highlighted a wide set of initiatives that are currently being implemented at their organisations. Based on these insights, we identified 5 priorities that will be core to the future people management agenda:

People Intelligence, Employee Centricity, Agile Organisation, Inspirational Leadership and Top Team Effectiveness

Many of those priorities are not necessarily new. But the importance and focus that they require is significantly



higher. Hence, there is a clear need to change mindsets, to leverage the technology

we use and to increase the speed with which we handle these topics.

People and Market Intelligence: FROM PEOPLE 'FEELING' TO PEOPLE 'INTELLIGENCE'

The biggest challenge of managing people is to have the right person in the right place.

Studies illustrate that high performers in mid-level positions generate approximately twice as much value for the organisation. At executive level, the difference can be up to 8 times.

If we believe that this is true, then deciding who to hire is certainly one of the most critical tasks of a manager. But is this leading decision makers to use all relevant data available about the candidates, market and

analyse them rigorously before selecting a person?

Taking people decisions will always be partly based, and rightly so, on gut feeling. But decisions need to be informed by hard facts. In today's world, 'data is abundant and 'people feeling' needs to be complemented by 'people intelligence'.

Chances are, that right now, in many cases, there is more information about candidates on social networks than companies have at their disposal.

Specifically, we would like to highlight three focal areas:

1. Develop deep knowledge about your people and the market

To be able to understand if the person has the right fit for a role, it is critical to have a fact-based overview of his or her experience, achievements, competencies, motivations and cultural fit.

In addition to their own workforce, companies with intelligence about the market will be at significant advantage. In the future, labour relationships will evolve towards increasing importance of free-lancers, advisors, consultants and other third-party suppliers.

Knowing the market enables organisations to take better and faster decisions.

Today, companies track their product's market share, going forward they will track their companies' talent share too.

2. Add strategic workforce planning to the planning cycle of the company

A VUCA environment means the need for new competencies. Organisations will need to understand which, how much they need and how to develop them, as if they were defining a go-to-market strategy.

Today, according to an Odgers Berndtson study, only 4% of organisations have a formal process of strategic workforce planning. To make the right people investment decisions, strategic workforce planning will need to become a norm.

3. Leverage people intelligence through people analytics

Advanced analytics are profoundly changing decision-making processes in many industries.

In marketing, machine learning is used to predict customer behaviour, trading

is increasingly based on algorithms, e-commerce sites develop product suggestions based on AI.

People analytics are the next frontier to be conquered. Fast food chains are already optimising the profile of their workforce based on machine-learning generated insights regarding what characteristics are more relevant for profitability (for example, variable pay vs. distance from home to work location).

Employee Centricity: FROM RESOURCES TO PEOPLE

Today, there is strong agreement that diversity drives value for organisations. As companies are building more diverse teams, they are also realising the increased challenge of managing employee demands and motivation. To engage their workforce, companies need to start looking at their peoples' uniquenesses.

For some time, there has been talk about applying customer marketing techniques such as customer experience to human resources, i.e., to align the product (meaning people policies) to the needs of their customer (meaning employees).

Driven by the increase in diversity (and the challenge that retention of Millennials is putting on companies) organisations will need to break old habits and truly focus on employee centricity.

There are two focal areas:

- Develop bespoke solutions for employee segments to leverage their diversity. One size does not fit all. Like in customised product and marketing campaigns, companies have an opportunity to create differentiated and tailored value propositions for their people.

- Through processes of co-creation, companies should create attractive offers ranging from compensation structure to training, working hours and location, etc.

It's important to offer an impactful experience in key stages of the employer journey. Once again, taking a page from the marketing playbook, companies need to understand the moments of truth in their employees' journeys. What makes the difference – positively and negatively – for employees, and how do you create impactful moments that drive employee engagement?

Agile organisations: FROM HIPO TO WIPO

Sam Walton, Walmart's founder, once said: "In business there are only two kinds of companies: the quick and the dead". As discussed at the beginning of the article, speed will be at the essence of doing business if businesses are to survive.

The answer that everybody is talking about these days is 'agile'.

This way of working is about creating cross-functional teams with decision rights to solve a specific problem. It is about empowering people that are closer to the problem. If this is done across the organisation, rather than concentrating decisions at the top, companies will address their issues quicker and better. This change of mind-set is the core to the implementation of the 'agile organisation'.

We identified three trends that are critical to address an agile approach:

Identify and develop Widespread Potential (WIPO) across the organisation.

In most cases, special projects are executed by employees that the leadership knows best and trusts - the HIPOs (High Potentials). These 5-10% are typically also the ones that already have the most challenging day-to-day jobs. The consequence is that there tends to be a work overload for this set of people and decisions are still not taken at the desired pace. What many companies miss is that there is an implicit assumption in agile, that we need to broaden the pool of people we assign important projects to and trust their judgement and decisions, i.e., we need to build 'widespread potential'.

Increase connectivity with the outside, to bring new perspectives inside the organisation.

We live in a 'Wiki' world where we are permanently connected. The most agile organisations will be those who are able to continuously learn and incorporate insights, making this the new modus operandi.

Focus on tasks that add value to the stakeholders.

The core idea of agile is to focus on issues that generate value for the organisation. Rather than following predefined processes, teams try to solve the underlying questions of the problems they face. However, this requires saying no to many things... or you may call it the Marie Condo approach to our day-to-day activities!



Inspirational Leadership: FROM 'ELITE' MANAGEMENT TO WIDESPREAD LEADERSHIP

Leadership is the engine of change and, as studies show, leaders are also responsible for 50-70% of an employee's motivation. Hence, if people and talent are becoming more important, then it is safe to claim that the role of leading people will also become more important.

Failure on this front may destroy tremendous value, hence companies need to invest in becoming leadership schools in order to teach their managers to evolve from command-and-control to inspire-and-connect. How do we achieve this? Our co-authors highlighted 3 areas:

Incorporation:

Design leadership development journeys that incorporate the DNA of the organisation and the leader's day-to-day. The development of competencies requires a systematic and consistent approach that merges experiential learning, coaching and formal training. Development programmes will become increasingly bespoke to the individual, be less theoretical and run over a longer time horizon. Changing behaviours in your daily routine will become the key focus.

External inputs:

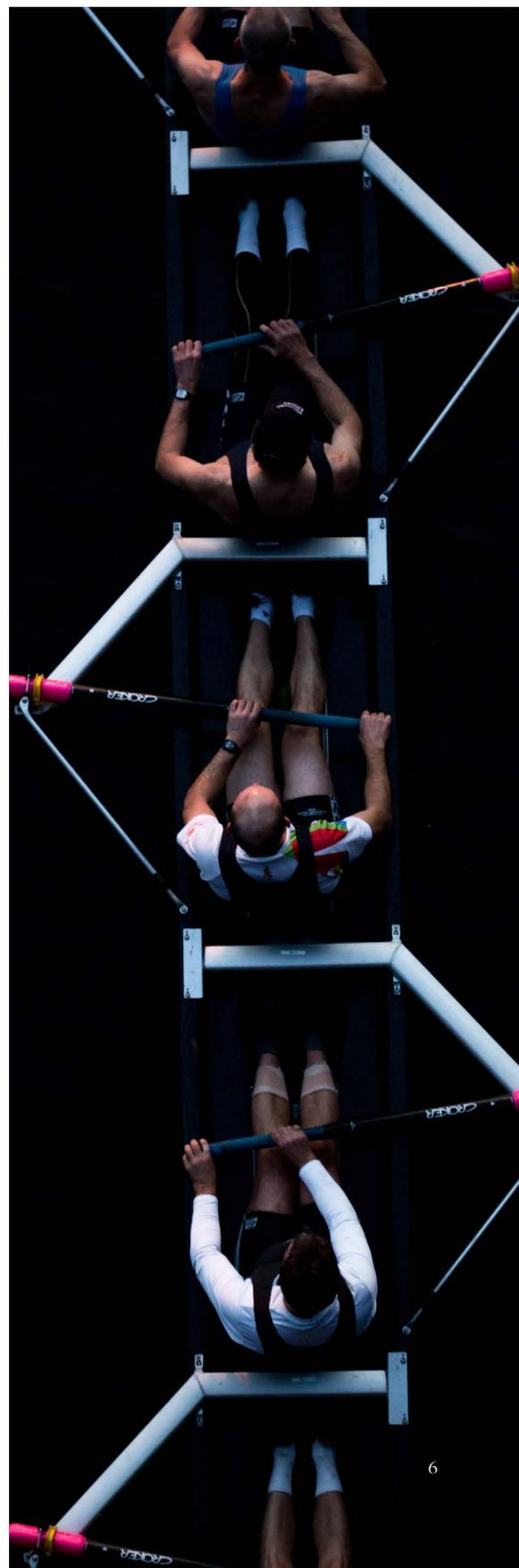
Benefit from experience of mentors, advisors and feedback from external stakeholders.

The development of people requires a mix of experiences (70%), coaching/mentoring (20%) and formal training (10%). The 20% pertaining to coaching/mentoring is seen as very powerful, and even more so if it enables people to get external perspectives that challenge the status quo.

Leading Leadership Schools are leveraging a set of approaches, such as Peer-to-Peer mentoring, Stakeholder FeedForward, Reverse Mentoring and external coaches.

Inner Leadership:

Effective leaders are not only outstanding professionals, but also effective on their personal side. We call this the Inner Leader. Companies that recognise the advantage of developing both aspects of the professional are focusing on building skills like general knowledge or promoting experiences related to social responsibility or sustainability.



Top Team Effectiveness: FROM GOOD EXECUTIVES TO GREAT TOP TEAMS

This increased pace and complexity at which organisations function not only impacts on people as individuals, but also on how teams collaborate to get the most out of each team member. Nowadays, we know that high-performing teams are characterised by four conditions:

- A clear and challenging purpose.
- A consistent, but agile governance model with crisp rules of engagement that are shared by all team members.
- A set of diverse competencies and profiles that enables looking at the organisation's challenge from different angles, while creating a healthy dynamic.
- Coaching processes and mechanism to continuously evaluate the results and progress of the team.

Creating a healthy team dynamic is challenging and even more so across the entire organisation. As with most organisational aspects, the success starts at the top. Without the support and the role-modelling of the senior leadership, the organisation will not develop what it takes to build strong teams.

To become role-models, executives themselves need to develop capabilities in this field and will benefit greatly from going through Team Effectiveness, focusing on three areas:

1. Ensure that top teams have a balanced mix of competencies and diversity aligned with the organisation's strategic challenges.

Matching strategic challenges to required competencies at executive committee level is not as linear as it might seem. How does the board of companies nowadays assess if its management team has the required skills in digital, in AI, in people leadership, in international go-to-market strategies? Or on a broader level, how to define the right level of diversity in terms of gender, background, age, etc.?

Studying these questions on global level has enabled Odgers Berndtson to develop methodologies to support top teams on balancing the right mix of competencies and diversity.

2. Create conditions for the top team to be challenged - the growing importance of Advisory Boards.

Taking a decision is always a lonely act. Having the chance to being challenged and supported can be an important source of value and innovation. It can be by professionals that went through similar experiences or by Millennials that contribute with their 'ingenuity and irreverence'. Advisory Boards composed by senior executive or even young HIPOs have been

gaining importance when it comes to advising Top Management over the last years. They contribute with international experience, multi-sector experience and openness to ask the tough questions.

3. Implement processes and mechanisms to align and develop top teams.

The myth of the Super CEO that leads the organisation to glory is fading away and being replaced by leadership as a team. The most advanced senior teams have started looking into developing governance processes, rules of engagement and approaches to measure their success. By applying methodologies to ensure alignment, improving the effectiveness of their modus operandi, building a tie, culture and developing of strategic competencies, teams can improve their performance significantly.

Catalyst of change - THE CHIEF PEOPLE OFFICER

Considering the increasing importance and challenge of managing leadership and talent, the role of the CPO will have to evolve and become more central to the decision-making process. CEOs will expect CPOs to be their advisors that drive the strategic thinking about leadership and talent in their organisations. Like the CFO that fulfills the role as right-hand man or woman on financial topics, the CPO will be the right-hand man or woman on organisational development and transformation.

In order to play this role, CPOs need to focus their efforts on five key areas:

- **Think business** – linking business strategy to people strategy
- **Thought leadership** – being an expert on leadership and talent
- **Results-focus** – being accountable for business results
- **Employee-centricity** – ensuring an excellent employee experience aligned with the company vision and strategy
- **Advisory** – acting as driver and enabler of the Leadership and Talent agenda for line managers

Most CPOs and people departments are not yet prepared for this new challenge. Like the organisation itself, they need to develop new competencies to be able to talk business and incorporate skills from other functional areas.

The new CPO and their team need cross-functional experience, strategic thinking, business acumen, ability to manage stakeholders and enable organisational change.

This new skill-set will have to include finance and advanced analytics to work

on people intelligence, it will require marketing and customer experience to foster employee centricity, it will mean hiring agile coaches, as well as having P&L experience and the strategic vision to help business leaders become inspirational leaders and build effective teams.



WHERE CAN WE HELP?

HOW IS ODGERS BERNDTSON HELPING OUR CLIENTS TO LEAD THE CRISIS?

Odgers Berndtson has a worldwide track record in providing best in class solutions to help Leaders and Organisations to better lead and manage the crisis, namely in four areas:



Our leadership manifesto

Change is all about people.

About everyday activities and ideas. Millions of small acts that push for progress.

Change starts with...

...**passionate and audacious people, who dare to think differently.** They are not defined by status, race, age, gender or religion. They are defined by what they believe in.

...**people who anticipate the future,** determine new visions and point out new paths, without giving into the pressure.

...**people headed towards uncertainty,** resilient in adversity and effective in execution.

...**people who inspire** more people and make them grow.

...**people who change** the context. Dare not be changed by it.

...**people like you, me, everyone.**

Because the world, with the slightest push, from the right person at the right time, can move.

All we need to do is believe we are this change.

So, lets take the lead.

MEET THE TEAM



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