



GO Global Organization  
Design Society



Readings in Global Organization Design  
2005 Conference Proceedings

## Managing The Corporate Talent Pool

by Dr. Stephen D. Clement

Article #05-08-08-S1-2



**ORGANIZATIONAL DESIGN INC**

# **Managing The Corporate Talent Pool**

**by:  
Dr. Stephen D. Clement**

**August 8-11, 2005**

How can a company effectively manage its corporate talent pool?

# Division Talent Pool - Multiple Business Units

## (Potential Assessment Data)

Organizational Layers

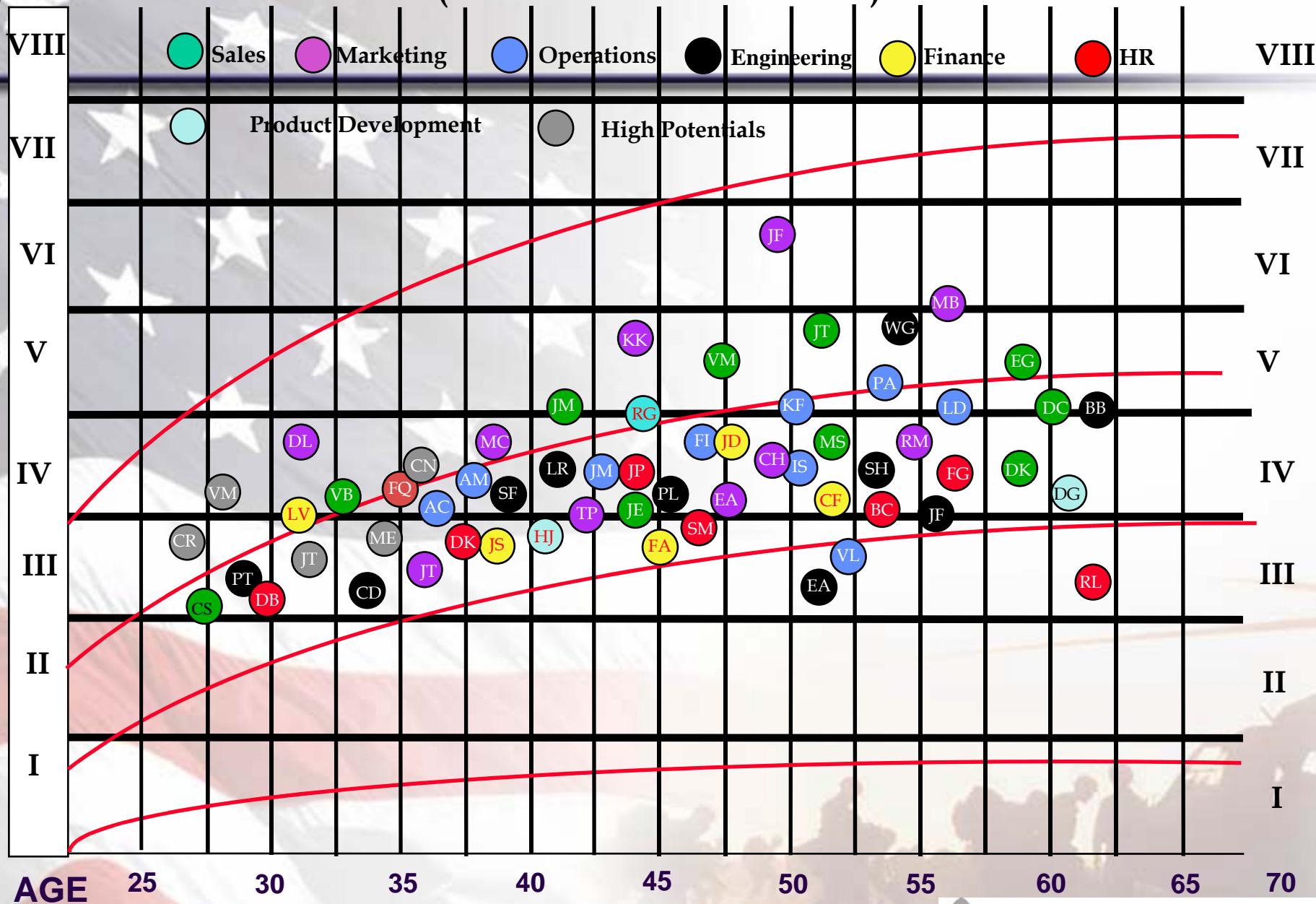
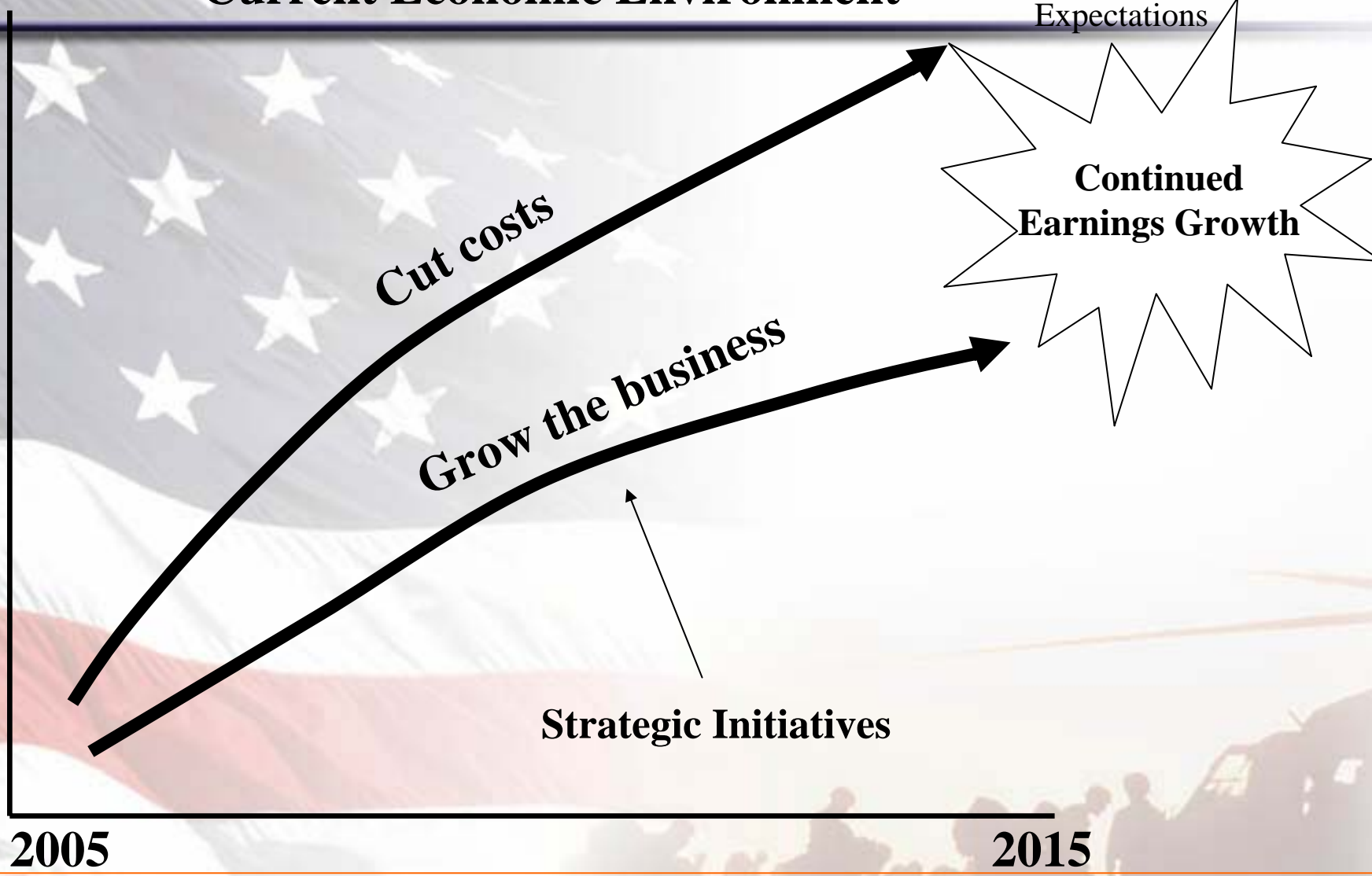


Fig. 1

## Current Economic Environment



2005

2015

Strategic Initiatives

Board/Shareholder  
Expectations

Continued  
Earnings Growth

Cut costs

Grow the business

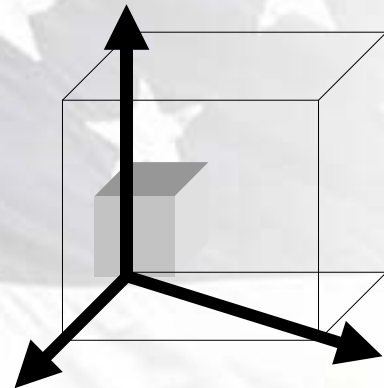


# Grow the Business

- **Growth brings with it complexity**
- **And complexity requires greater management capacity**

# Growth and Complexity

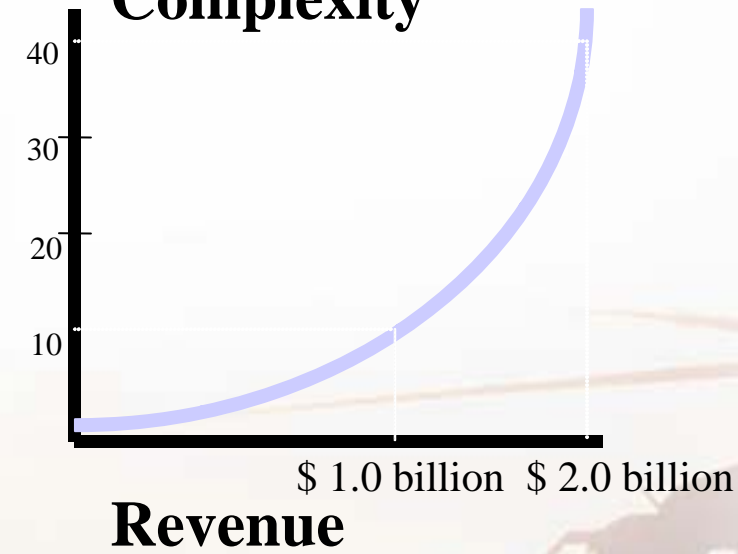
**Customer / Channels**



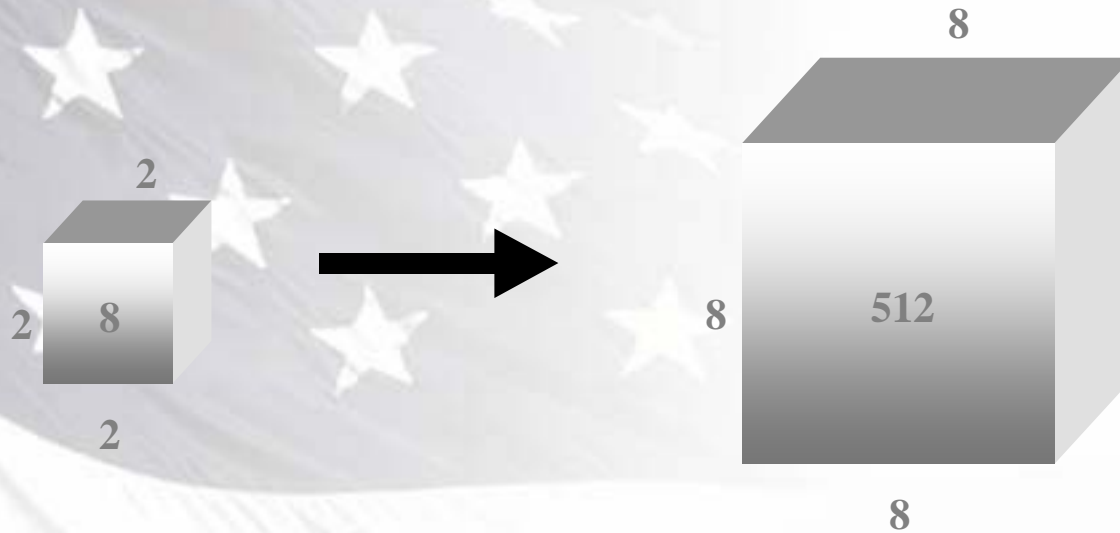
**Geographic Regions**      **Products**

- **Consumer individuality**
- **Product variety**
- **New distribution systems**
- **Globalization of markets**

**Complexity**



# Managing Increased Complexity



**When a company doubles in size,  
management capacity needs to triple.**

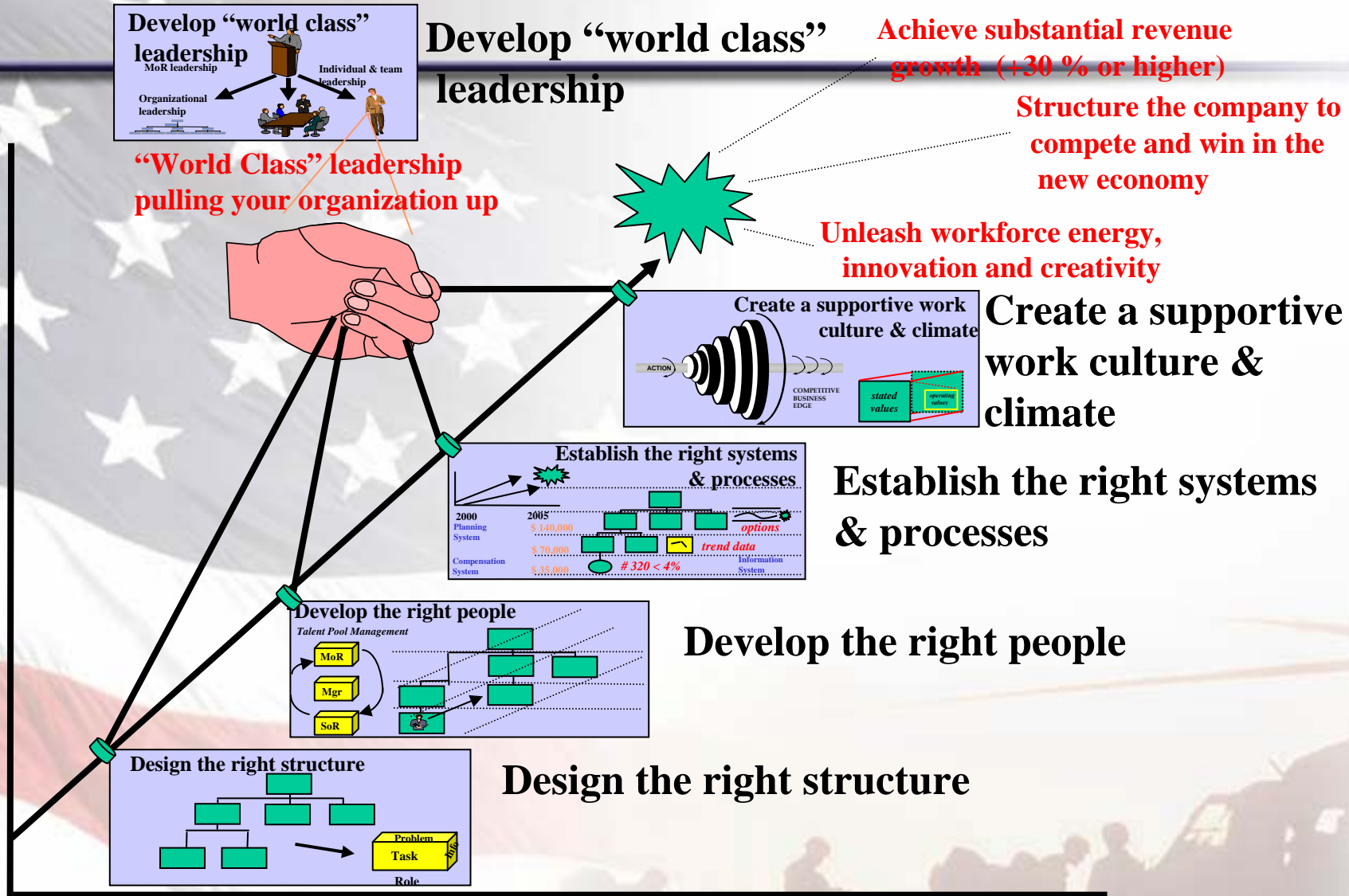


# Achieving Sustained Earnings Growth Requires:

- An Innovative Business Strategy
- The Right Organizational Structure  
To Implement That Strategy
- Capable People To Do The Work

**In Other Words:**

# Building A High Performance Organization To Achieve "World Class" Results



## **This Session's Focus:**

- **Developing The Right People**

## **Putting People Into The Strategic Planning Process**

- **Not as an after thought**
- **Not as an annual affair**
- **More than lip service**

**But as an ongoing part of a company's business strategy**



# The Available Talent Pool

- **Nearly Full Employment**
- **North American & "Worldwide" Demands on the Pool**
- **Life-Time Commitment to a Single Company is a Thing of the Past**
- **Highly Capable People are Mobile and Change Jobs Often**
- **Finding and Keeping Under-Utilized Individuals**

# The Talent Pool Challenge

VII

CEOs

VI

EVPs

V

BU  
Pres

IV

VP  
(Gen Mgr)

III

Directors  
(Unit Managers)

II

First Line Managers

I

Skilled

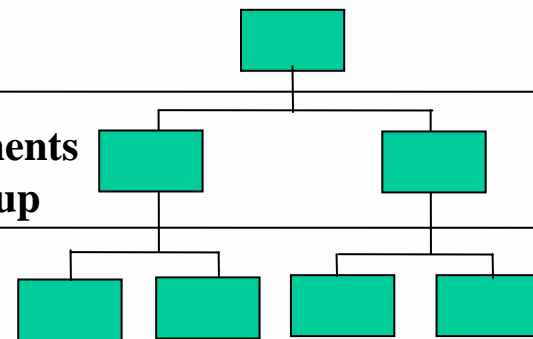
Semi-skilled

Unskilled

Deployment of capability  
in the population at large

Increasing staffing requirements  
from a small population group

Maximizing the development  
of under-utilized employees



Organizational  
Growth Requirements

# Meeting the Talent Pool Challenge

- 1. New concepts and a new way of thinking about the problem (e.g., a new paradigm)**
- 2. New talent pool management process**
- 3. New assessment tools**

# **ROI Example: Replacement of a Level II Sales Rep in a Large Service Company**

## **Direct Costs (US\$)**

**Search Firm - \$ 12-15K**

**Training of new hire - \$15K**

## **Indirect Costs:**

**Loss of sales during training period \$30K**

**Total Replacement Cost: \$57-\$60,000**

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# **ROI for People Retention**

**1000 employees & 20% per year turnover rate**

**Replacement cost: 75% of salary**

**Average salary: \$50,000.**

**Savings by reducing turnover rate to 15%:**

**\$1.875 MM**

# Outdated Succession Planning Model

**The old succession paradigm focused on today's business**

**This is not good enough to deal with rapidly escalating complexity**

**Suggests that: the succession paradigm of the last 25 years is broken!**

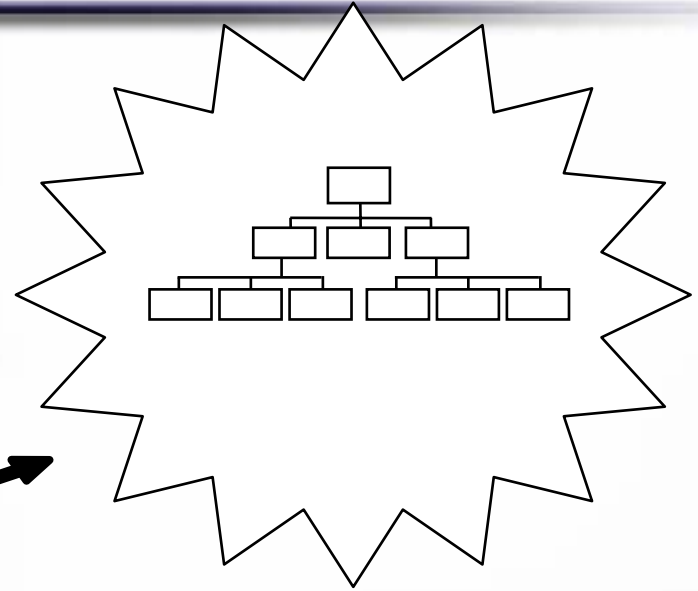
**Thus - A new paradigm is needed!**

# The New Paradigm Requirements:

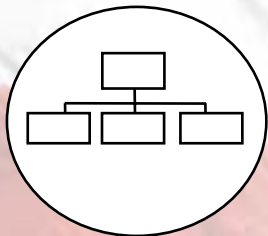
- 1. Choose successors for the company you want to become.**
- 2. Ensure that all successors can “surpass<sup>®</sup>” the accomplishments of their predecessors.**
- 3. Create a culture within the company that reinforces the purposeful replacement of departing managers with more competent successors**
- 4. Establish a system where you can track and project internal candidates’ capacity to master complexity and growth.**
- 5. Maintain sufficient talent “bench strength” to compensate for unexpected talent loss.**

## A NEW PARADIGM IS NEEDED

**The Vision**



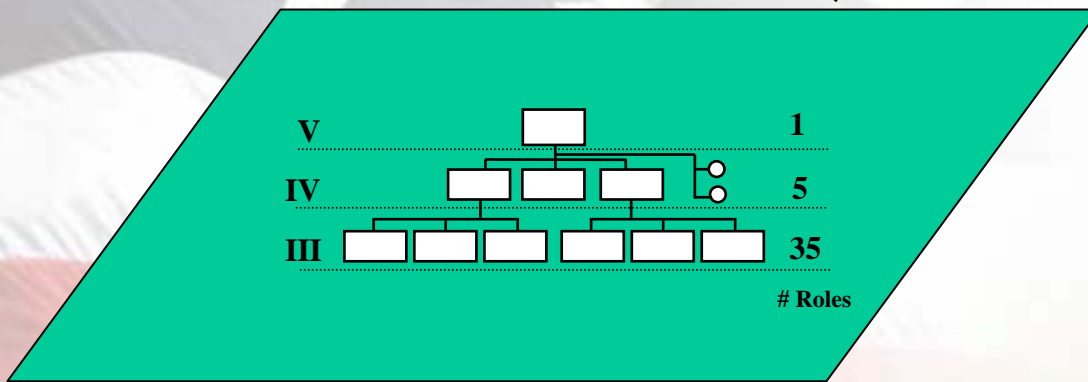
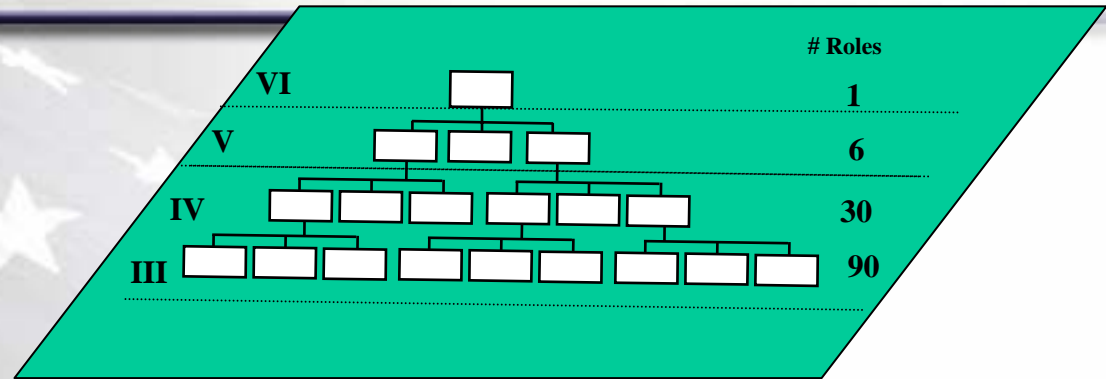
**The Required  
Future Structure**



**The Organization Today**  
**2005**

**2015**

## A NEW PARADIGM IS NEEDED



The Organization Today

2005

2015

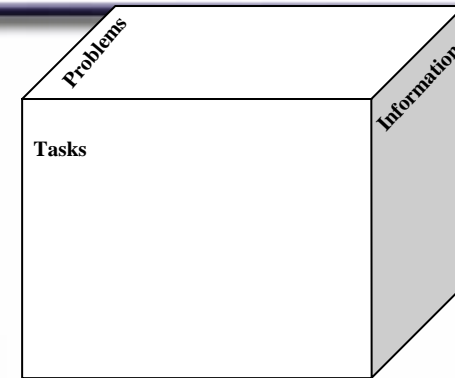
- Changing market conditions dictate that the future organization be at least a full organizational level higher than the old one (even without growth)
- Any corporate growth strategy imposes even more demands on the future structure

## IV. The New Paradigm Requirements:

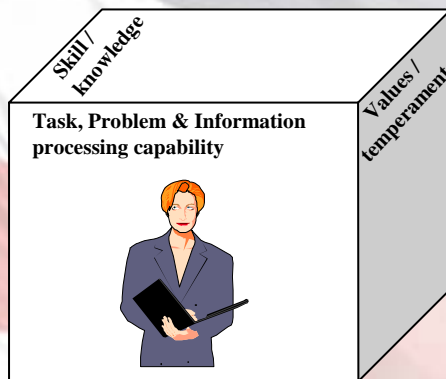
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5. Maintain sufficient talent “bench strength” to compensate for unexpected talent loss.

## SUCCESSION PLANNING IS ALL ABOUT GETTING WORK DONE:

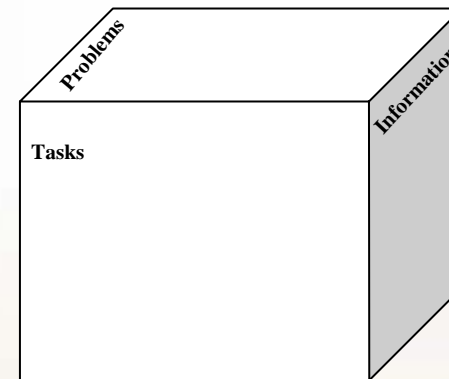
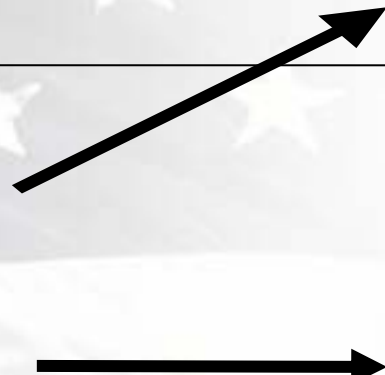
Succession planning is deciding whether person A (with their unique working capacity) can do the work assigned to role B (either at the same level or at the next higher level)



**Sales Manager Role - B**



**Sales Rep Role - A**

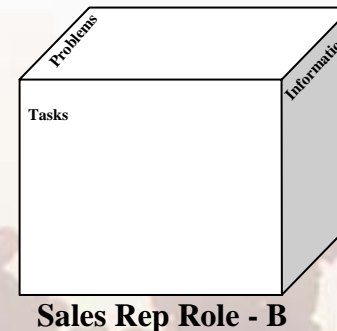
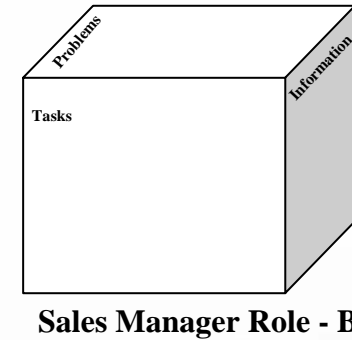
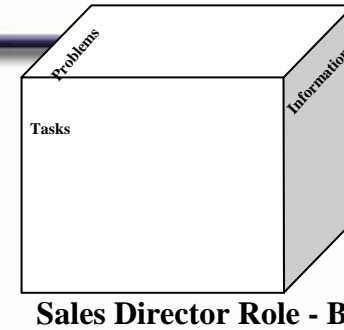
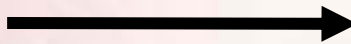
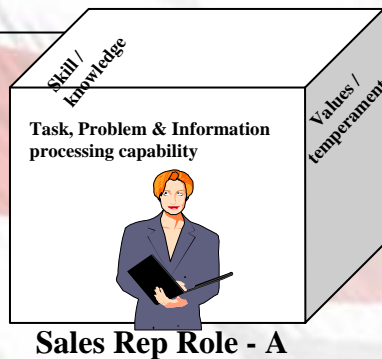


**Sales Rep Role - B**

# Putting People Into The Strategic Planning Process

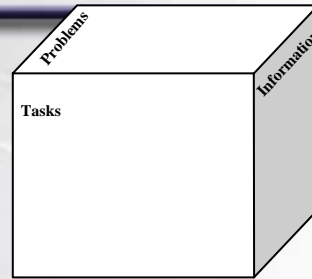
**“SURPASSION PLANNING®” IS ALL ABOUT GETTING WORK DONE MORE EFFECTIVELY**

**“Surpassion planning ®” is deciding whether person A (with their unique working capacity) can do the work assigned to role B (at the same or next higher level) better than the current incumbent; and has the long-term potential to move to even higher organizational levels**





## “SURPASSION PLANNING®” Versus “SUCCESSION PLANNING”



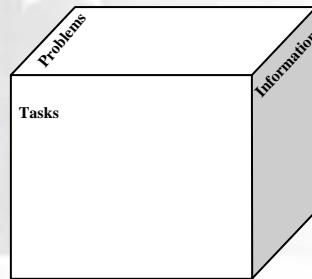
Sales Director Role - B

“Surpassion planning ®” is about individuals “moving” to; “filling” and “growing” roles

- “Bringing bigger shoes”
- Focusing on new ways to deal with working complexity

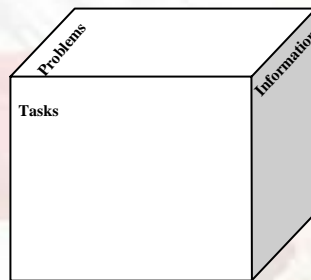
“Succession” planning is about individuals “moving” to and “filling” roles.

- “Filling existing shoes”
- Dealing with today’s working complexity
- Filling vacancies
- Coping with the future



Sales Manager Role - B

- Fostering innovation and creativity
- “Creating” the future



Sales Rep Role - B

# New Assessment Tools

- **Work is the key underlying concept**

**Definition: “Work is the exercise of discretion and judgment in carrying out tasks or accomplishing goals and objectives”**

# Why is work so important?

- **Assessment is a judgment about a person's current working capacity and future potential**
- **A key characteristic of work is that it varies by organizational level in terms of its underlying complexity**

# Working Capacity

**Working capacity (f):**

**Information / problem solving capacity**

**x values**

**x skills/knowledge**

**x wisdom**

**x temperament**

# Potential Assessment

**A process Which Evaluates a Person's Working Capacity in Two Separate Area's:**

- Work In The Current Organizational Layer**
- Readiness For Work At The Next Higher Organizational Layer**

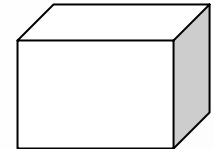
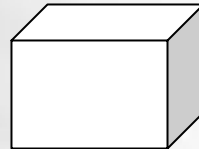
# MoR Answers Questions

**MoR**

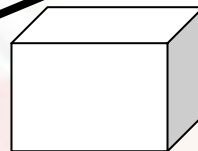
• Work at next higher level (same function)

• Work at next higher level (different function)

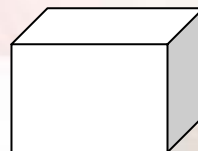
**Mgr**



**SoR**

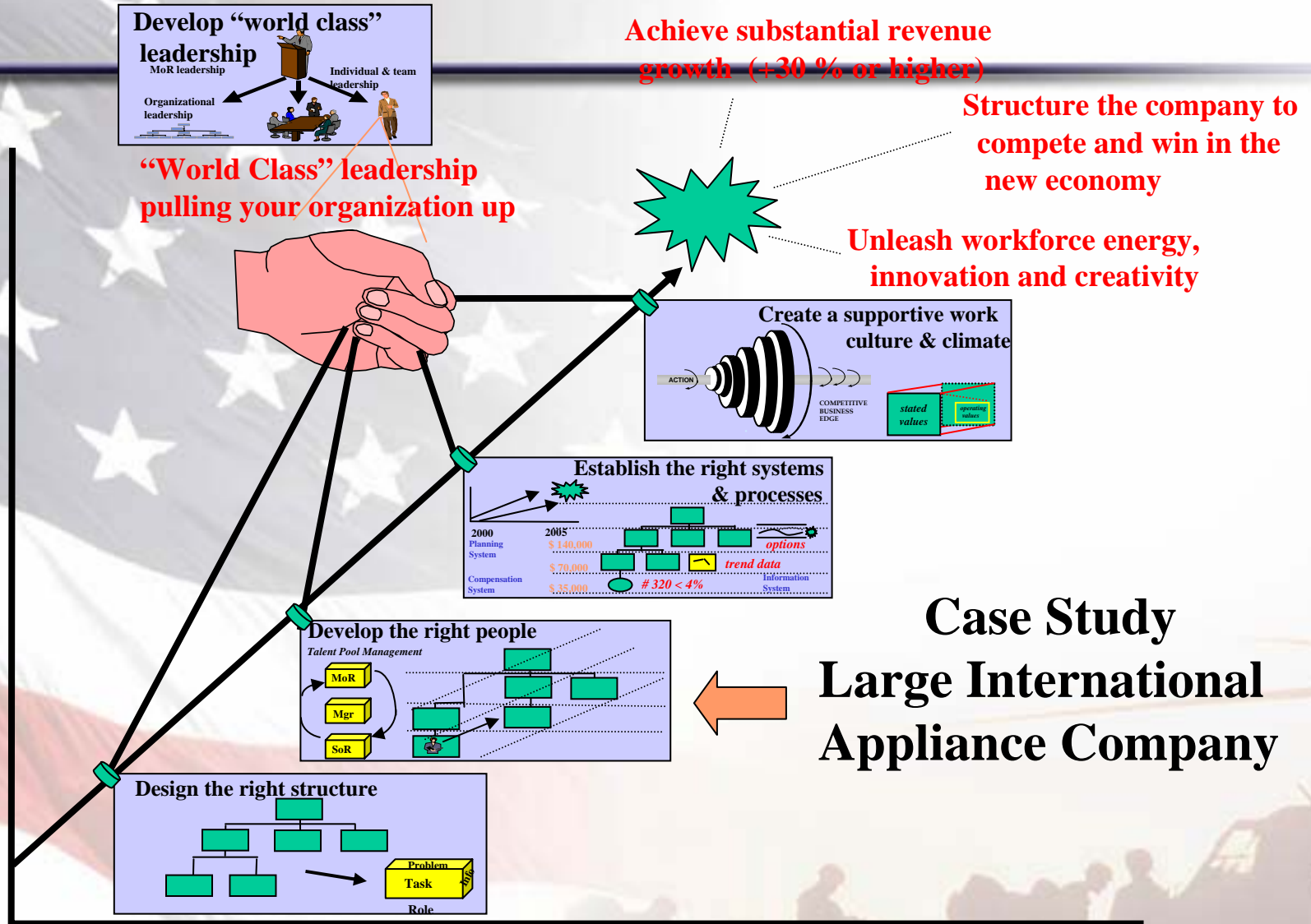


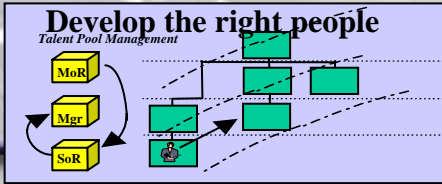
• Bigger job at same level (same function)



• Work at the same level (same function)

# Building A High Performance Organization To Achieve "World Class" Results



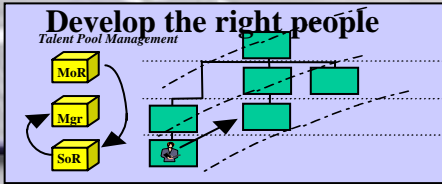


# Case Study

## Large International Appliance Company

**I. Purpose: To develop a “state-of-the-art” talent pool management system.**





## Case Study

### Large International Appliance Company

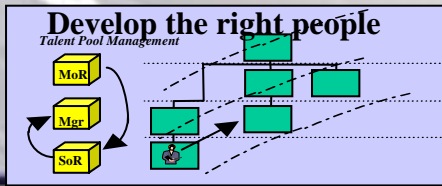
#### II. Major Findings:

**A. The succession planning system was an annual affair with a limited number of “high potential” individuals identified as possible successors for existing senior level positions.**

**B. A true management accountability system was not in place for the assessment and development process. No single individual in the management hierarchy had the task as an inherent part of their role.**

**C. Actual assessments were often flawed and based upon an inaccurate concept of working potential.**

**D. Global expansion coupled with massive domestic downsizing weakened the existing bench strength.**



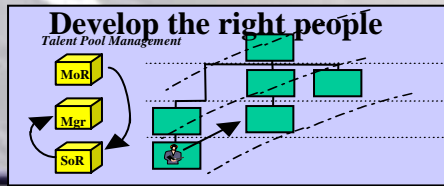
## Case Study

# Large International Appliance Company

### III. Major Interventions:

**A. Developed a “state-of-the-art” executive development room (“war room”) to assist senior management in effectively managing a world-wide talent pool.**

**B. Developed assessment tools, procedures and processes for assessing an individual’s current working capacity and future potential.**



## Case Study

### Large International Appliance Company

#### III. Major Interventions:

##### C. Assisted senior executives in actually assessing working potential.

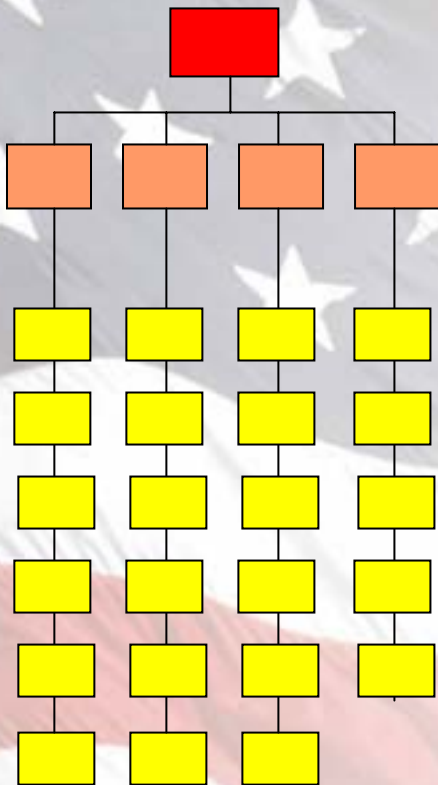
1. Identified high potentials and designed appropriate development programs.
2. Described work characteristics by organizational level to operate as a benchmark target for assessing future potential.
3. Trained executives in underlying theory and operating principles.

##### D. Analyzed the strength of the pool by functional specialty.

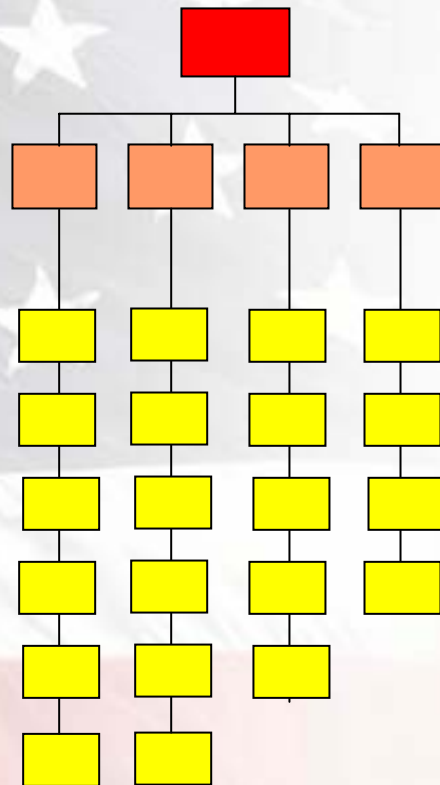
# Worldwide Talent Pool

(Color coded by organizational level)

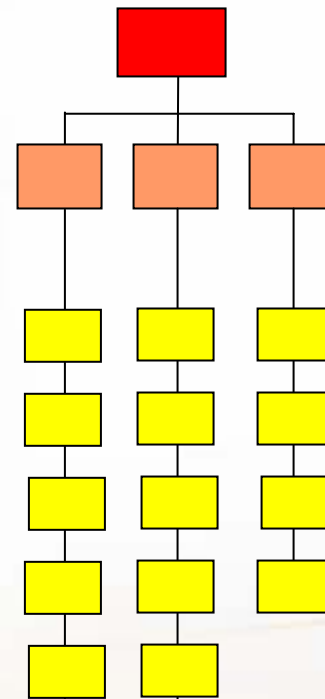
## North America



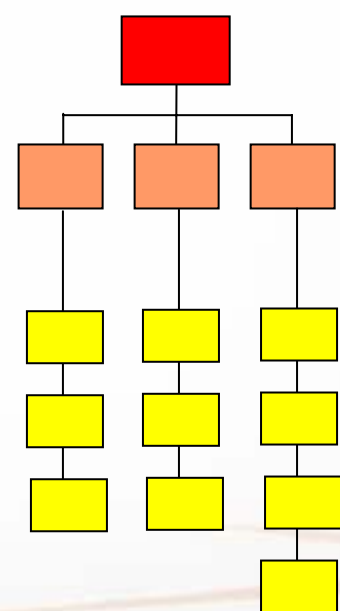
## Europe



## Latin America



## Asia



# Executive Development Room (“the war room”)



Fig. 6

# Division Talent Pool - Multiple Business Units

(Potential Assessment Data)

Organizational Layers

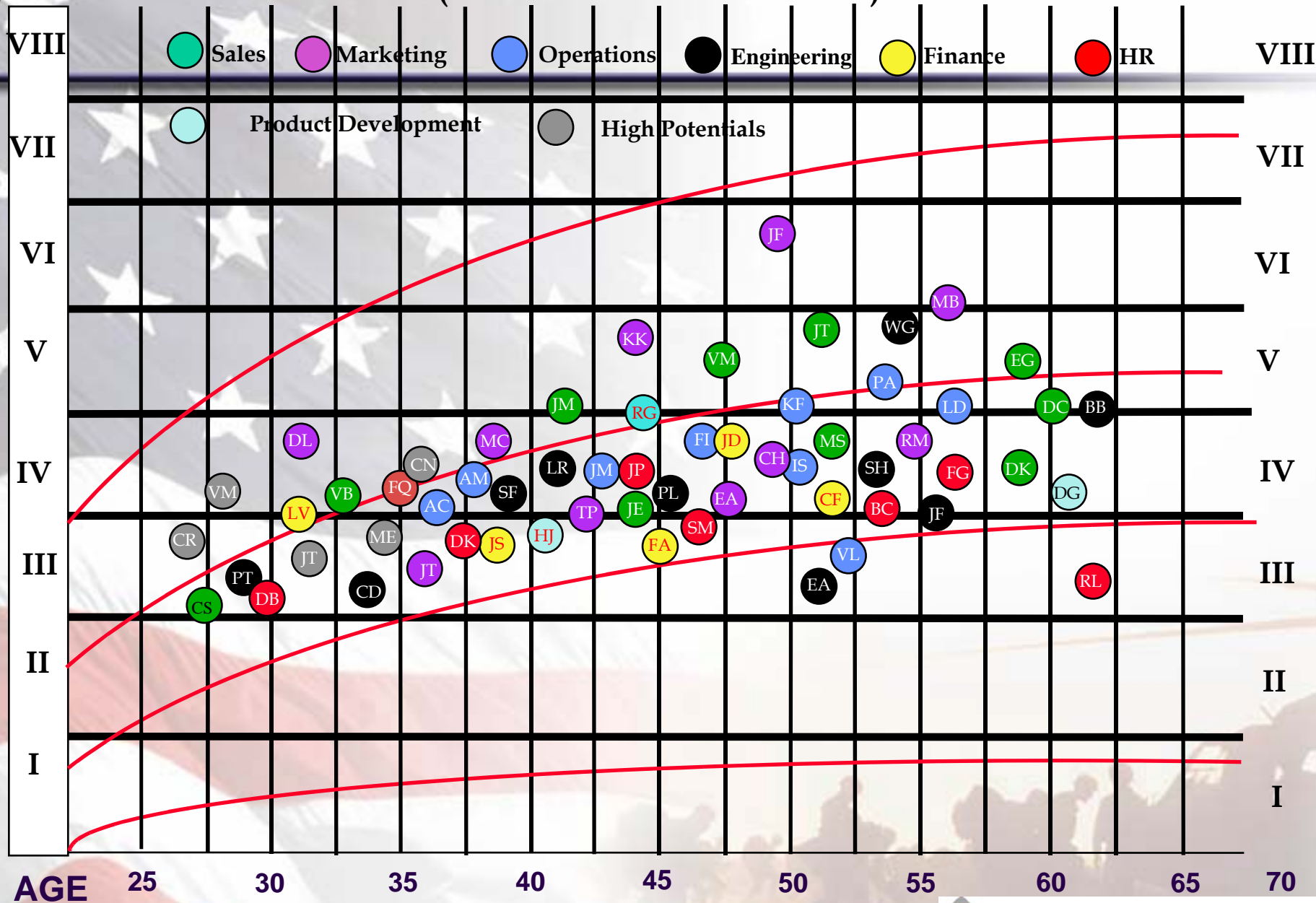


Fig. 1

# Division Talent Pool - Multiple Business Units

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Organizational Layers

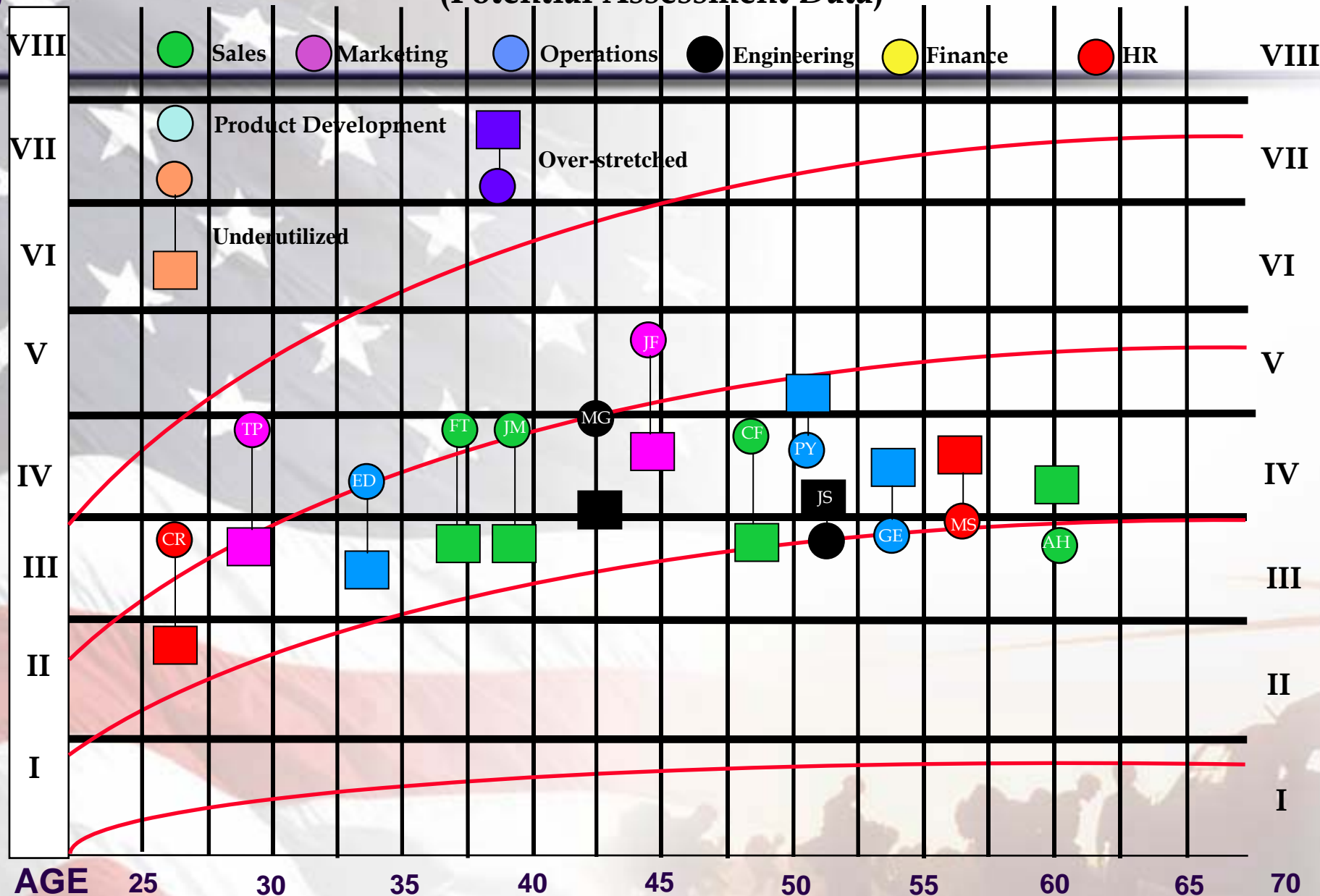


Fig. 4



# Division Talent Pool - Human Resource Staff

(Potential Assessment Data)

Organizational Layers

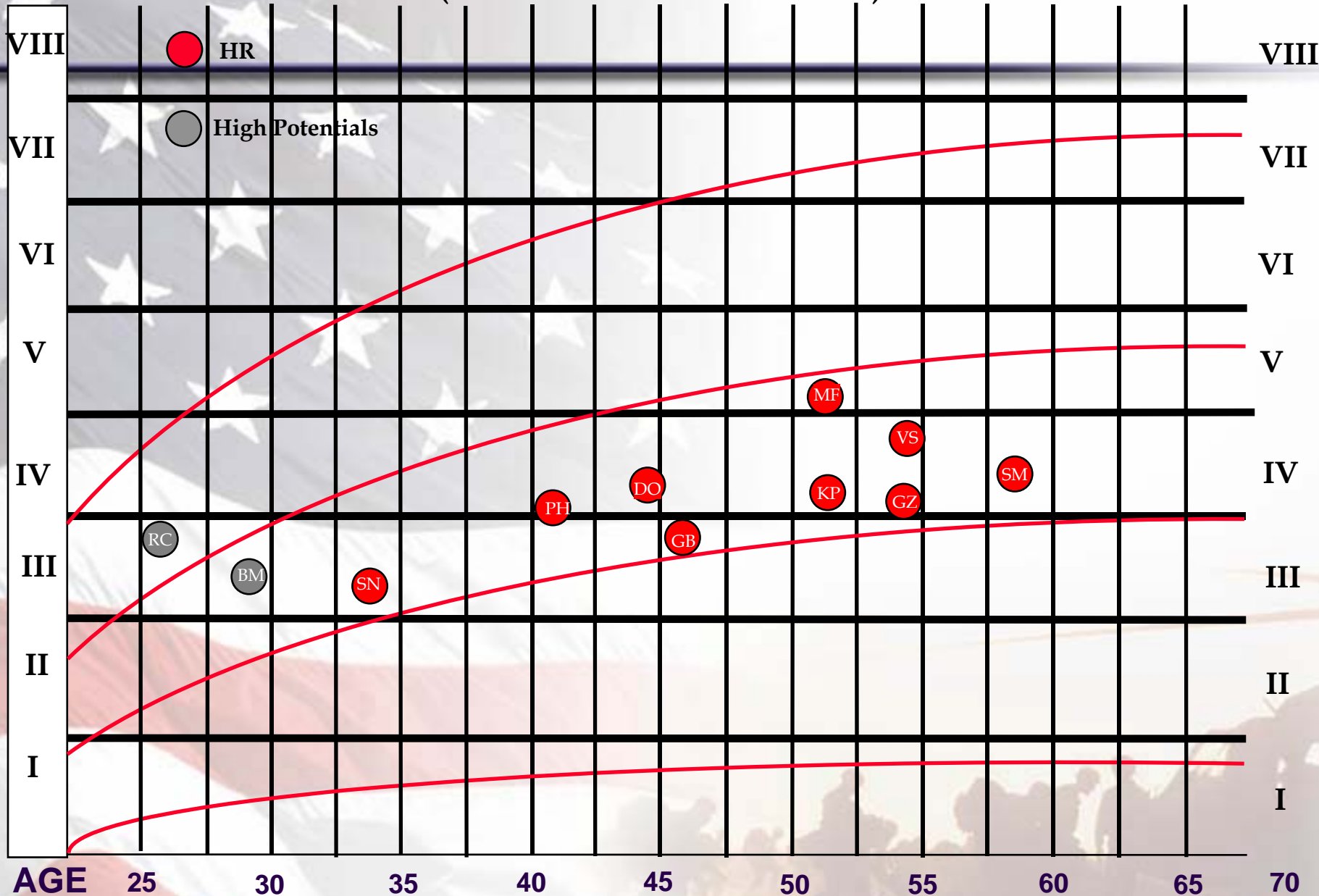


Fig. 7





# Division Talent Pool - Diversity

(Potential Assessment Data)

Organizational Layers

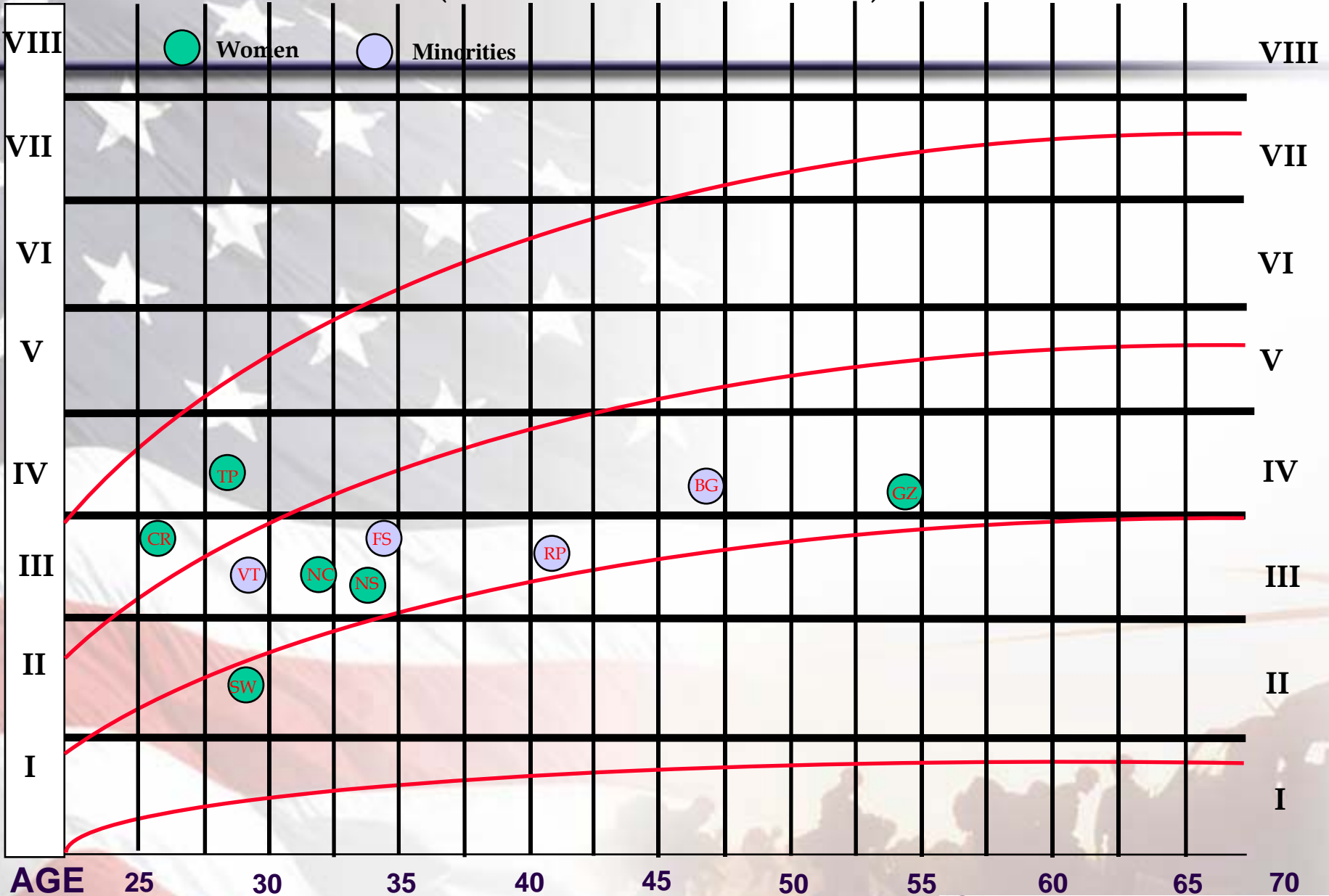
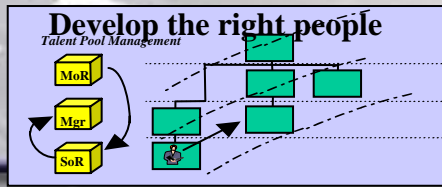


Fig. 8



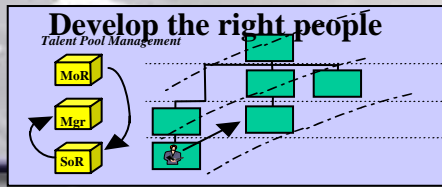


# Case Study

## Large International Appliance Company

### IV. New Process Outcomes:

- A. A flow of talent up through the organization to sustain effective senior level leadership.
- B. A process for keeping the total talent pool under systematic review by the senior executive leadership team.



## Case Study

### Large International Appliance Company

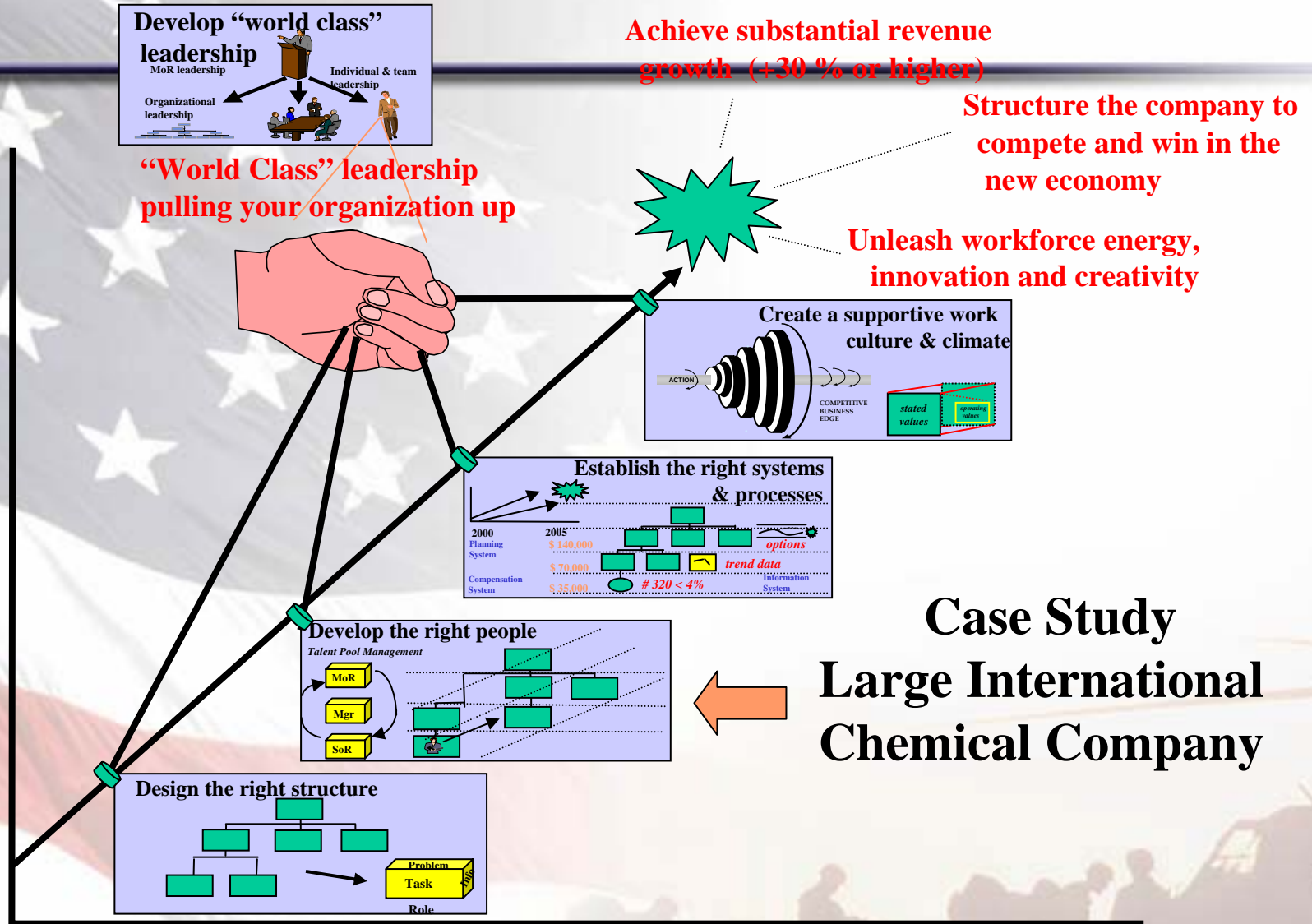
#### C. Key components of the new system.

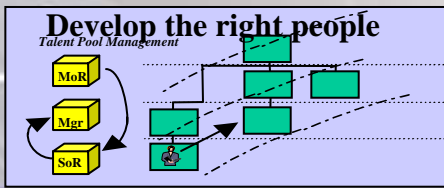
##### 1. Established a new role - the role of the Manager-once-Removed (MoR)

- Assigned accountability for assessing individual potential to the Manager-once-Removed (MoR).
- MoR to oversee the equitable allocation of resources across subordinate units.
- MoR to ensure the quality of managerial leadership of subordinate managers.

##### 2. Provided for on-going career development, e.g., mentoring.

# Building A High Performance Organization To Achieve "World Class" Results





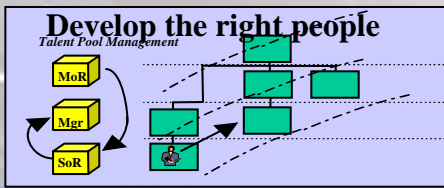
## Case Study

### Large International Chemical Company

## II. Major Findings:

**A. The existing succession planning system was an annual affair based upon assessment data that varied significantly across existing divisional boundaries. No theoretical baseline concepts or principals existed to control the overall process. In the absence of a theory base, vicarious concepts such as sales volume, span of control, size of operation, profitability, ect., tended to be used as an unofficial benchmark. Consequently, significant assessment errors often occurred.**





## Case Study

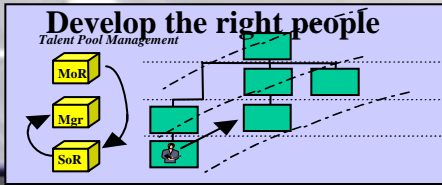
### Large International Chemical Company

**B. Assessment data was generated by immediate managers. The next higher level manager weighed in after the process was well underway. Such input, however, was generally limited to a select few individuals only.**

**C. HR staff supported the process in widely different ways depending upon the nature of their on-going working relationship with their respective BU/Div President's.**

**D. Several BUs tended to jealously guard their high potential personnel, even if it meant denying them a possible promotion.**

**E. Individual development programs were not uniformly designed nor carried out.**



## Case Study

# Large International Chemical Company

## IV. Outcomes (cont.):

### G. Gearing.

1. The gearing discussions were perceived to be much more effective than in the past because of the presence of a common assessment framework throughout the company.
2. Division Presidents varied in how they wanted assessment data portrayed. Most preferred a visual representation on talent pool progression curves.

# ESTABLISH USEABLE MANAGEMENT TOOLS: CALIBRATION



Plant Manager



Controller



Sales Manager



Division A

Division B

Division C

**Gear individual assessments across the company**

**- By Organizational Level**

**- Within a given level**

**The Plant Manager in Division A has less potential than the Sales Manager in Division C**

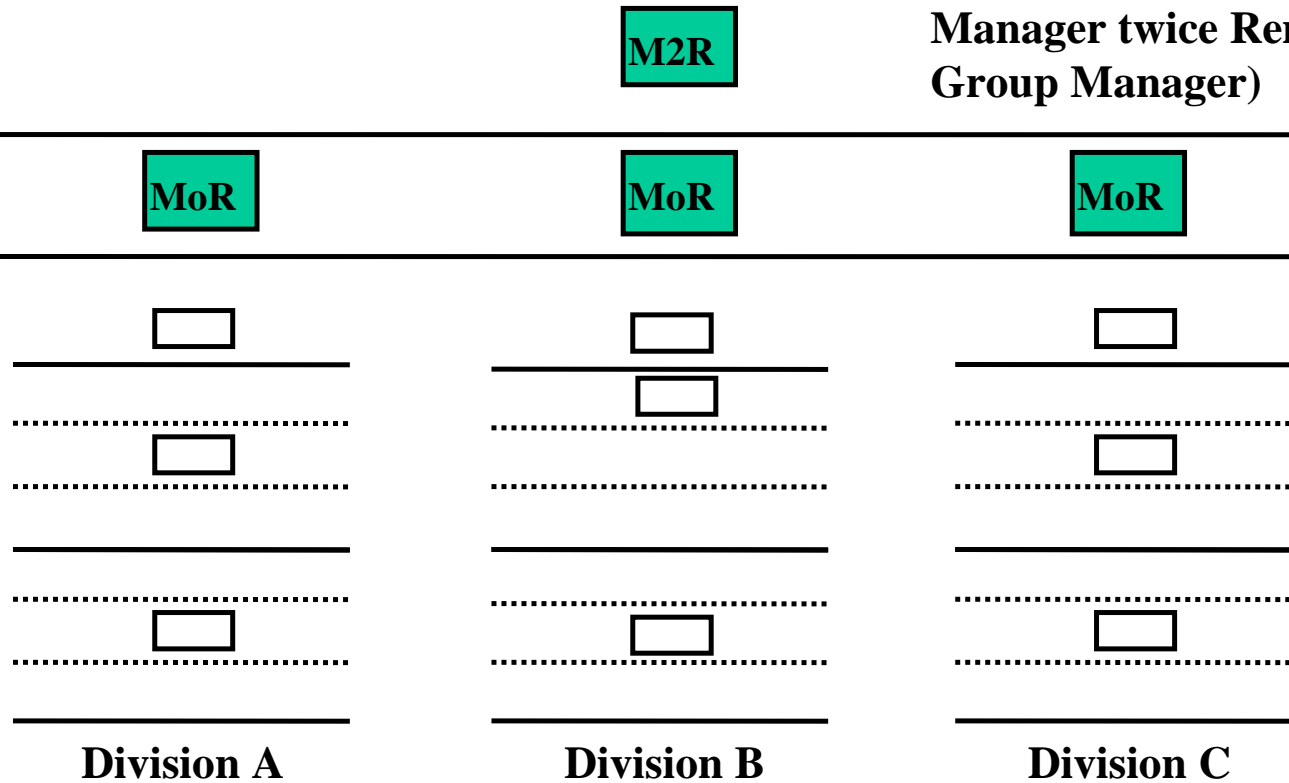




# ESTABLISH USEABLE MANAGEMENT TOOLS: CALIBRATION

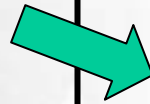
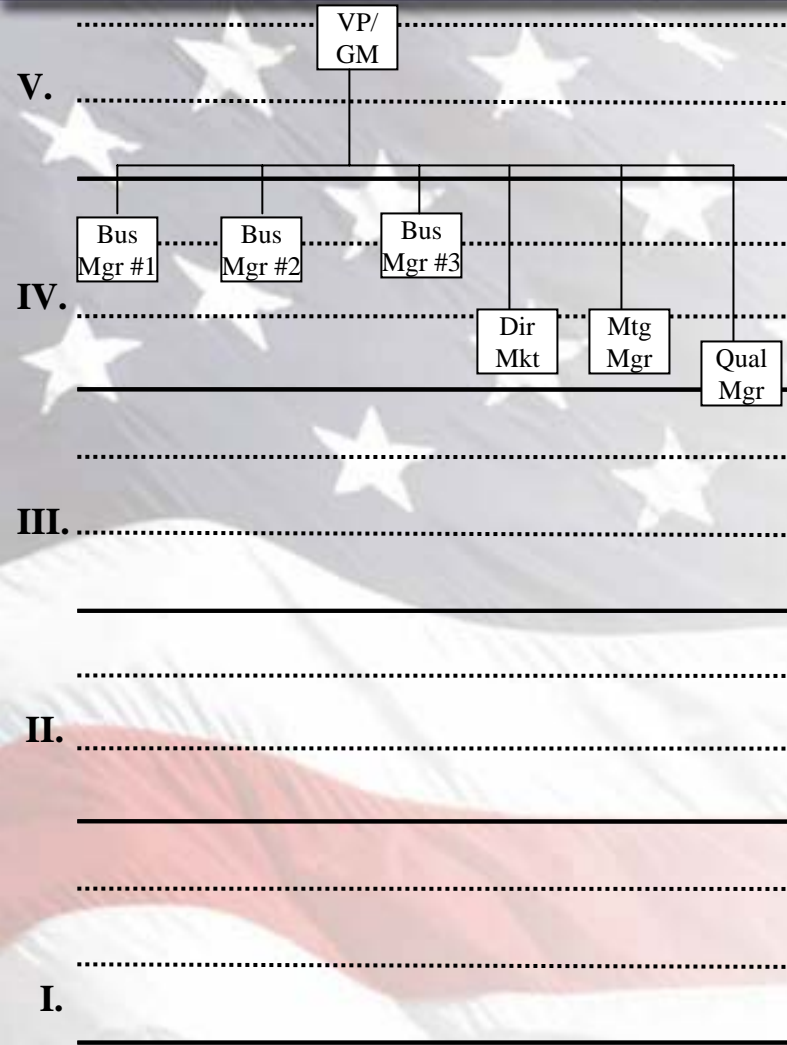
## Who should do the Calibration?

The Division MoRs and the Manager twice Removed (M2R - Group Manager)

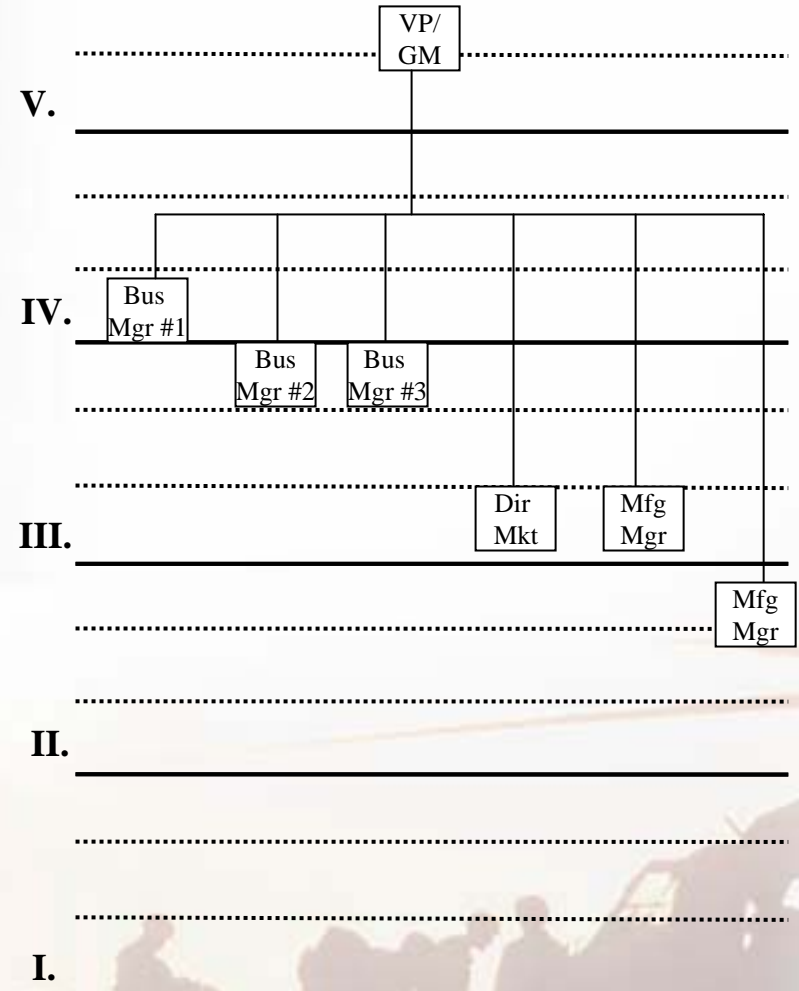


# Large International Chemical Company

## Initial Gearing



## Final Gearing



# ESTABLISH USEABLE MANAGEMENT TOOLS: GEARING



Plant Manager



Controller



Sales Manager



Division A

Division B

Division C

**Gear individual assessments across the company**

**- By Organizational Level**

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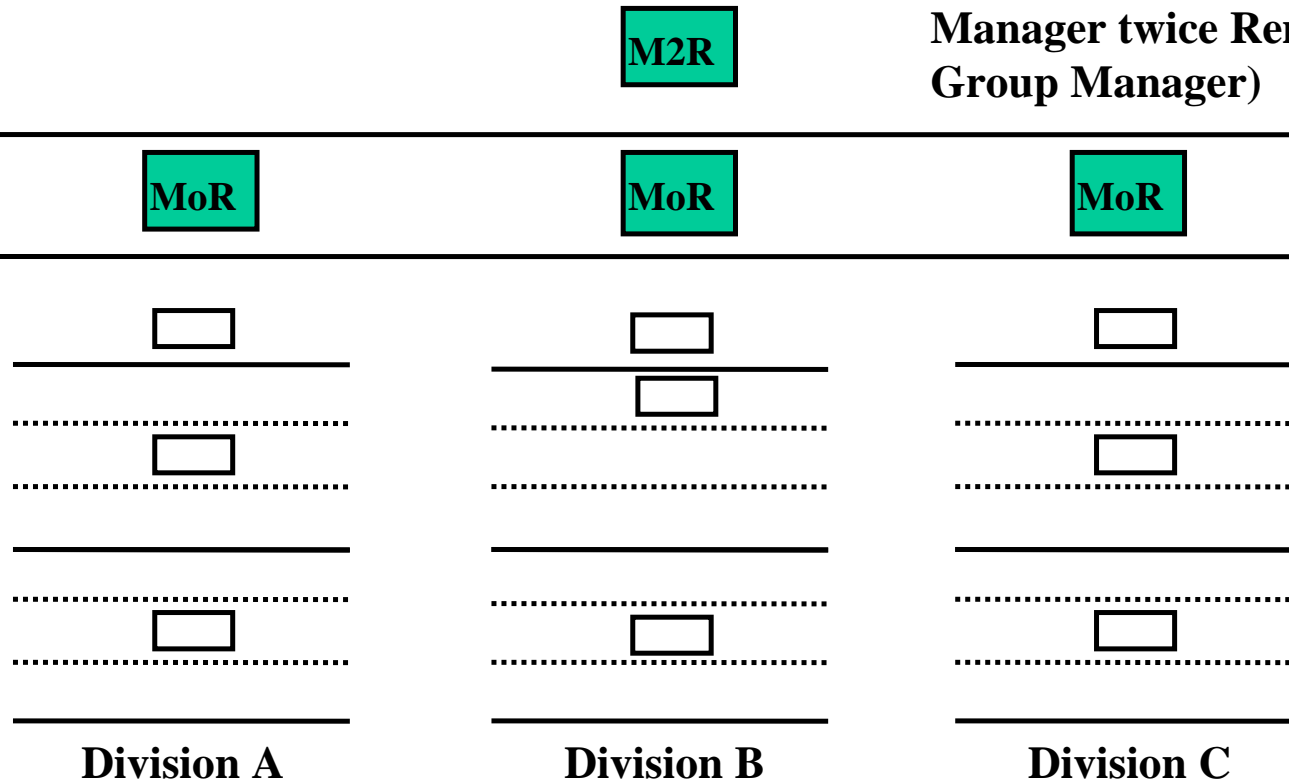
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# ESTABLISH USEABLE MANAGEMENT TOOLS: GEARING

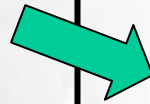
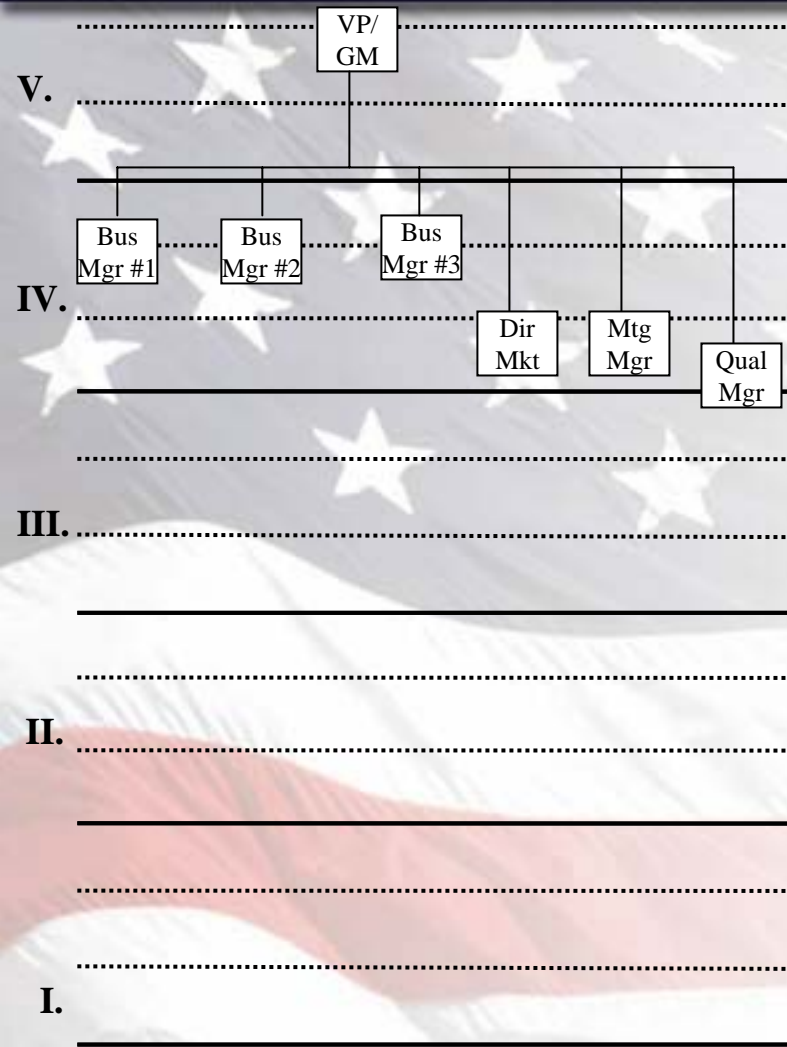
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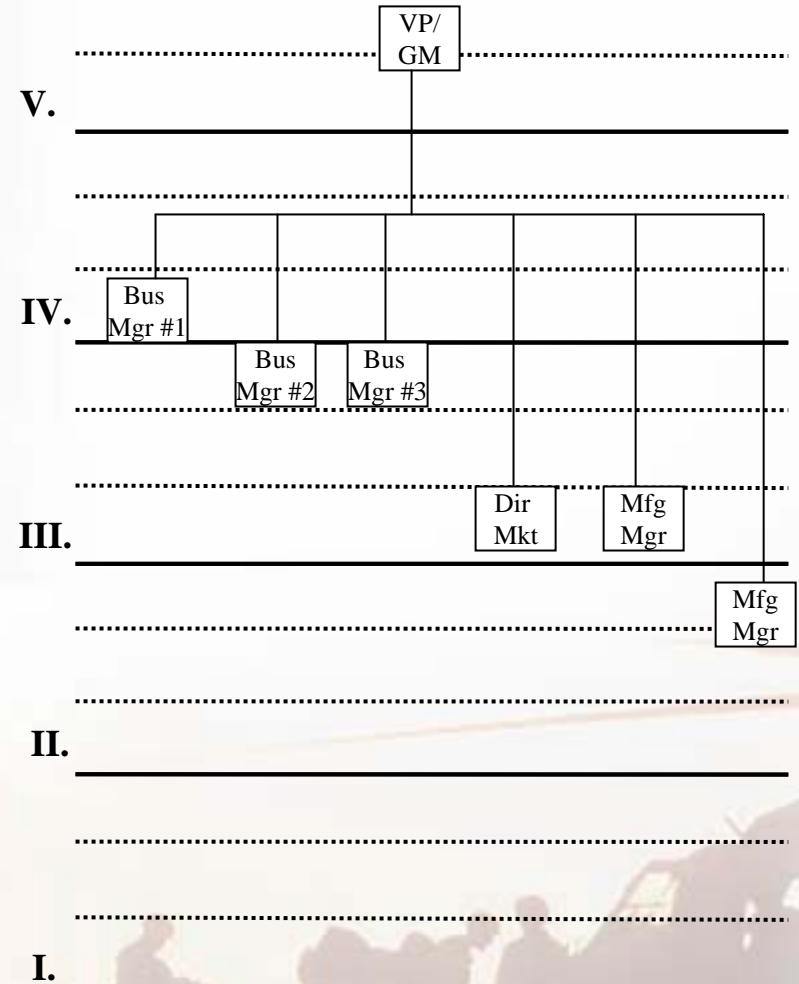


# Large International Chemical Company

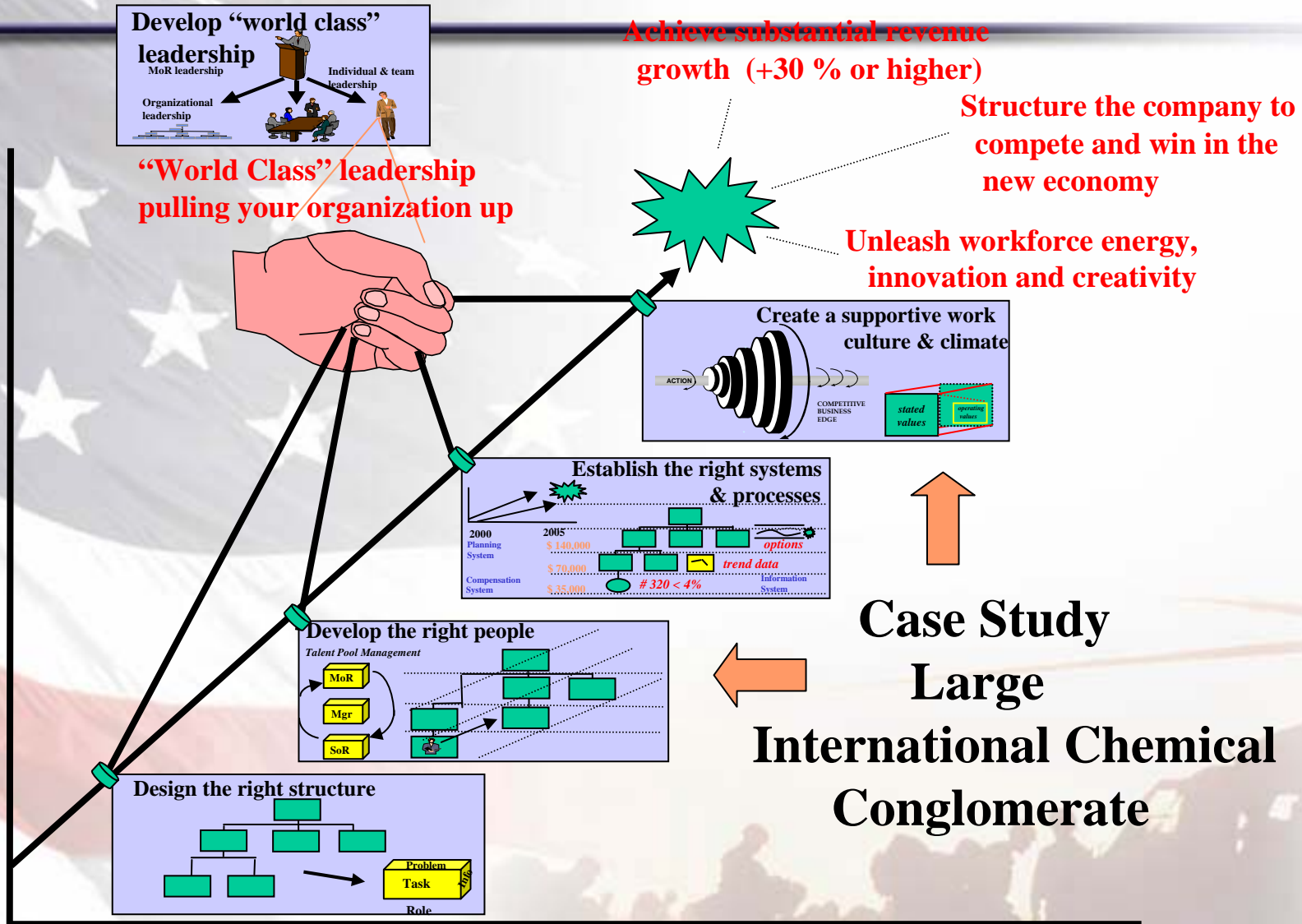
## Initial Gearing

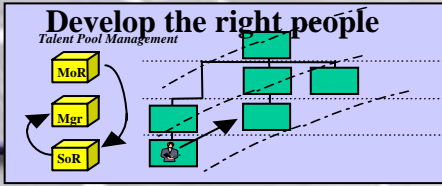


## Final Gearing



# Building A High Performance Organization To Achieve "World Class" Results



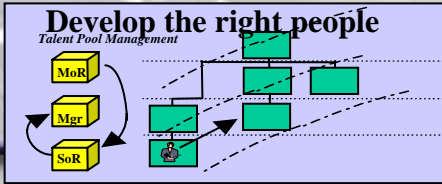


## Case Study

# Large International Chemical Conglomerate

## I. Purpose:

- A. To develop a “state-of-the-art” talent pool management system.
- B. To design and implement a Manager-once-Removed (MoR) leadership program.



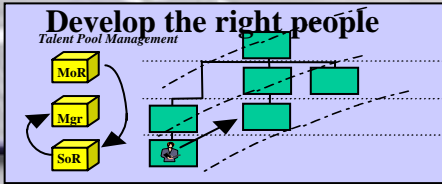
## Case Study

# Large International Chemical Conglomerate

## II. Major Findings:

**A. The strength of the existing corporate talent pool is reflected in the substantial number of operations personnel functioning at senior management levels (Note the large number of blue shapes in figure 1).**





## Case Study

### Large International Chemical Conglomerate

## II. Major Findings (cont.):

**B. The corresponding “health” of two Business Unit (BU) talent pools is depicted in figures 2 & 3. Note that both of these BUs also contain a larger number of strong operations personnel. In the case of BU-A, operational strength is appropriate because this is a production oriented commodity business.**

# Corporate Talent Pool - XYZ Company

(Potential Assessment Data)

Organizational Layers

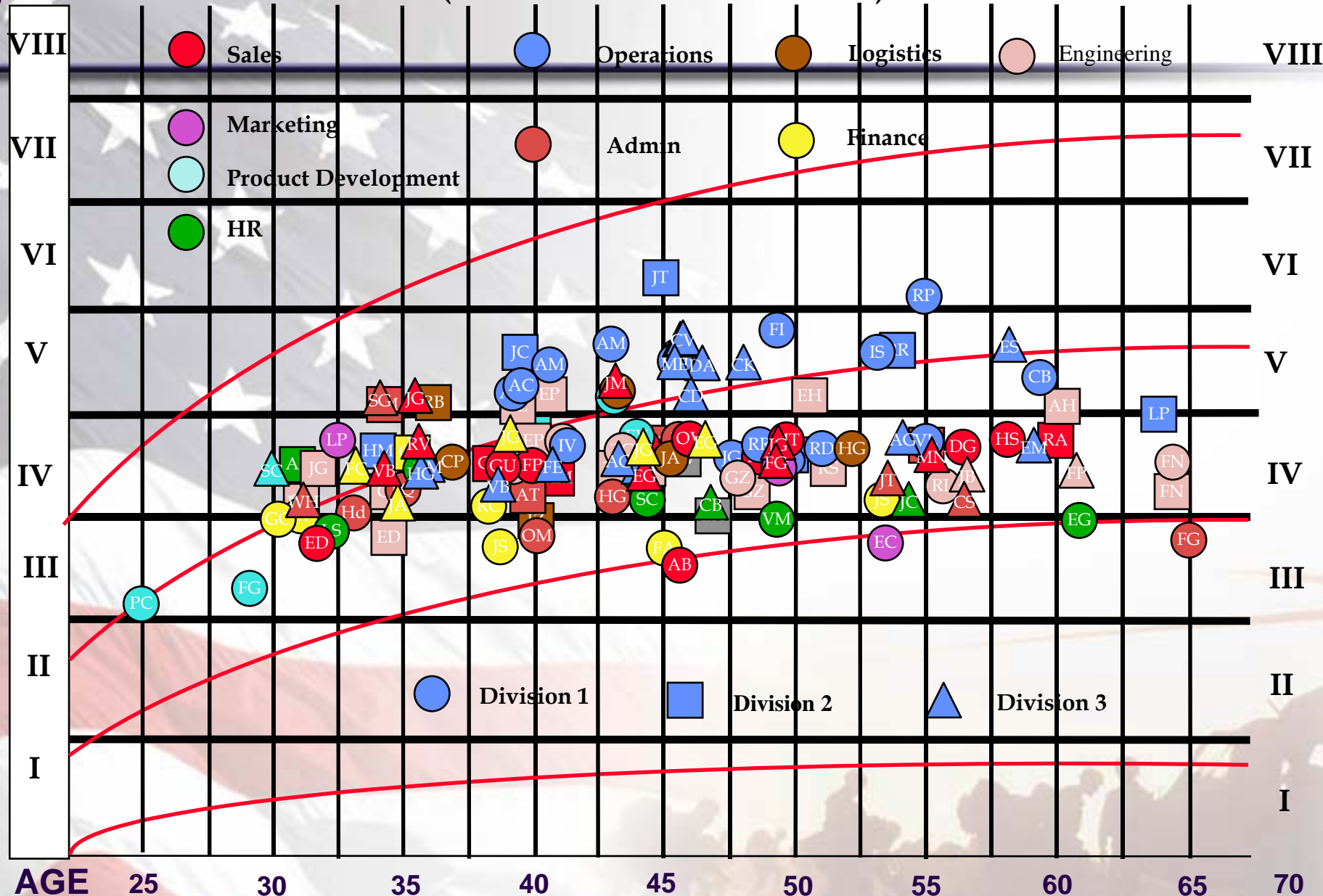


Fig. 1  
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# Business Unit A - Talent Pool

(Potential Assessment Data)

Organizational Layers

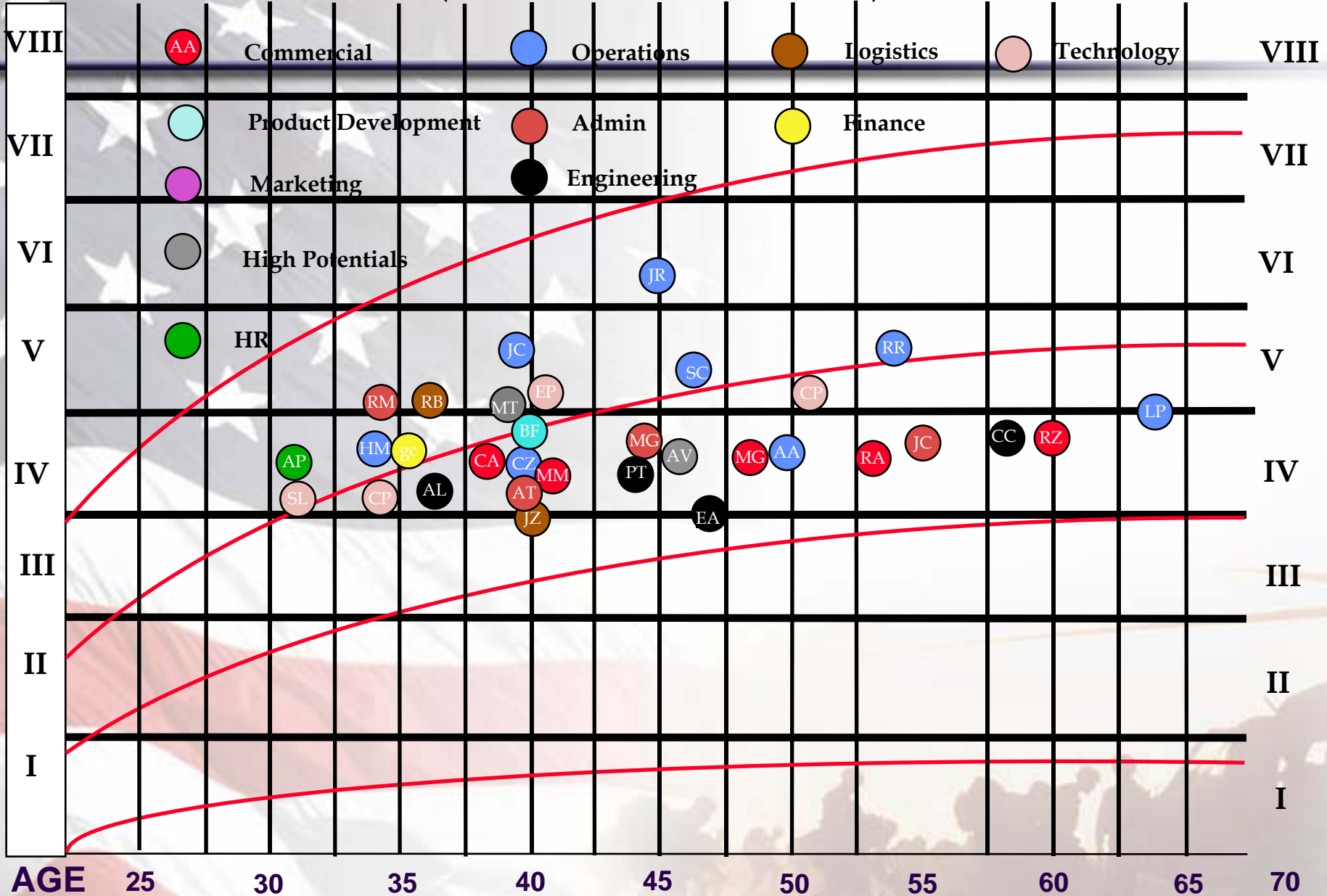


Fig. 2  
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# Business Unit B - Talent Pool

## (Potential Assessment Data)

Organizational Layers

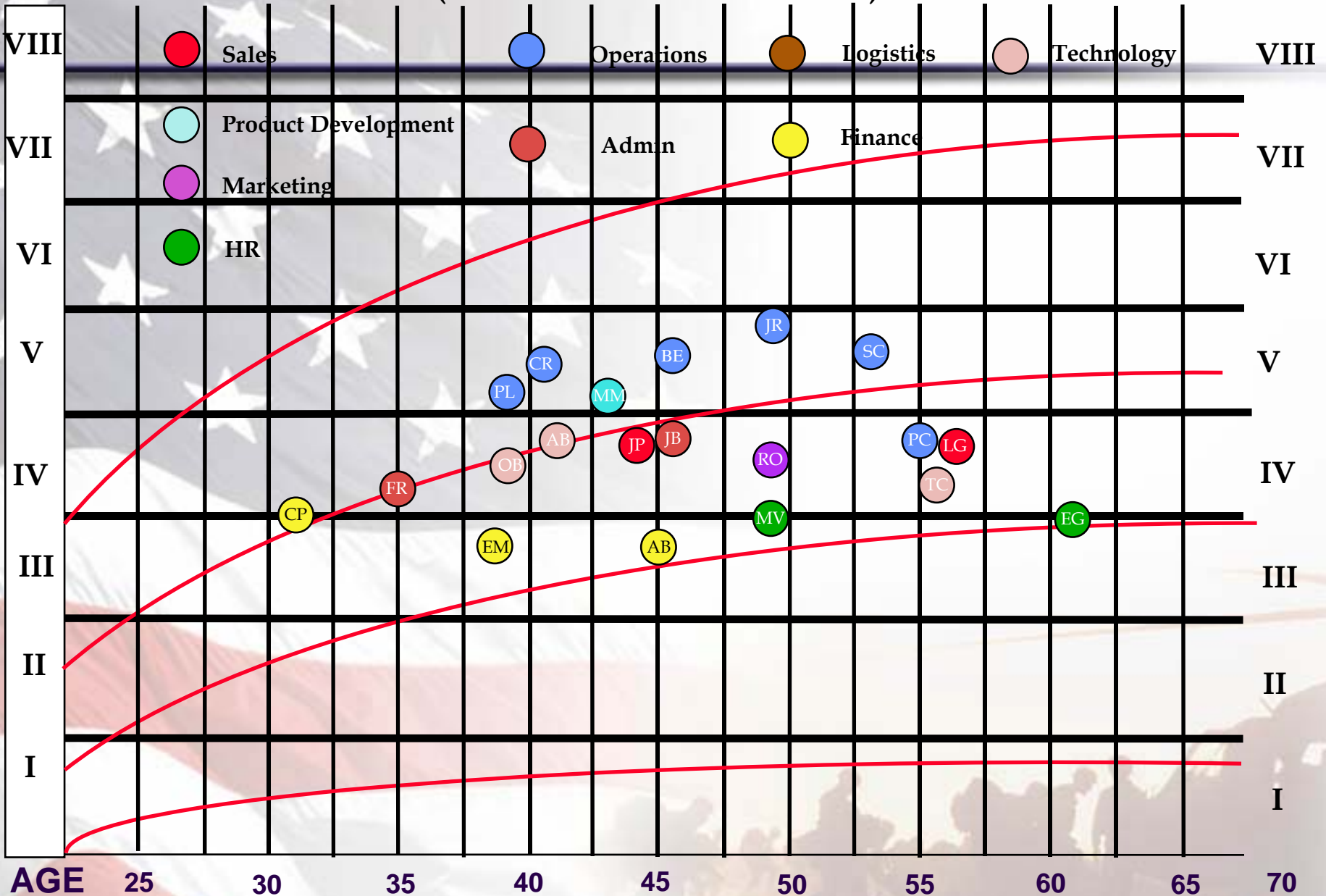
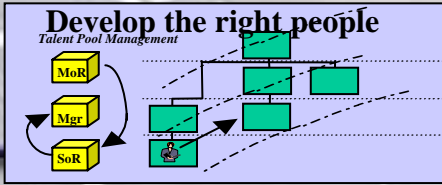


Fig. 3  
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# Case Study

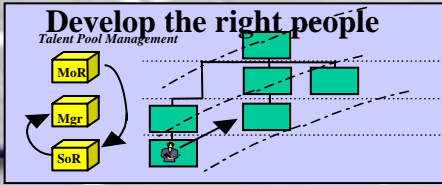
## Large International Chemical Conglomerate

### II. Major Findings (cont.):

**C. Globalization and the opening of local markets to external competition dramatically increased the “cognitive” demands on existing managers. Some managers were not capable of dealing with the corresponding increased complexity, e.g., they were “over their heads”.**

**D. The rise of the new economy and the steady shift of power to the customer resulted in some sales personnel being under-qualified to effectively deal with the emerging customer base.**

**E. There was a strong tendency to promote role incumbents to existing vacancies even though they did not necessarily show signs of being able to handle greater complexity.**



## Case Study

# Large International Chemical Conglomerate

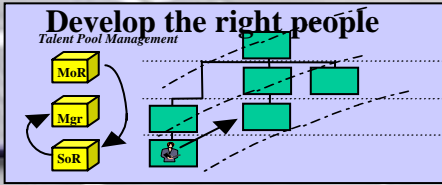
## II. Major Findings (cont.):

**F. Some individuals were operating at too low a level thereby stifling subordinate initiative.**

**G. An additional organizational layer at the business unit (BU) level tended to mask existing managerial shortcomings at that level.**

**H. No formal leadership development program existed throughout the company.**

**I. Individual assessments tended to be overly influenced by personality and character issues.**

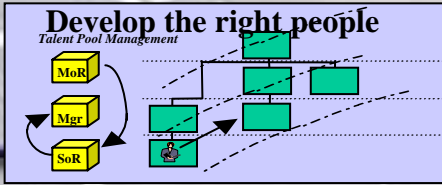


## Case Study

# Large International Chemical Conglomerate

### III. Major Interventions:

**A. Designed a new talent pool management system and a state-of-the-art “war room” for managing the pool.**



## Case Study

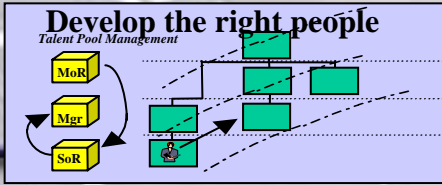
### Large International Chemical Conglomerate

#### III. Major Interventions (cont.):

**B. Developed a sophisticated set of assessment tools to use in effectively managing individuals within the pool (see figure 4).**

- 1. Developed tools focused on working capability as well as ones oriented on job fit issues, e.g., emotional intelligence and temperament.**
- 2. Developed specific measurement indices oriented on individual working capability factors.**





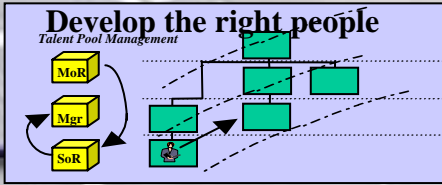
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### III. Major Interventions (cont.):

**C. Designed and implemented a Manager-once-Removed (MoR) training program.**

**D. Increased deselection or transfer of marginal performers (15% replacement of senior managers in two different business sectors).**

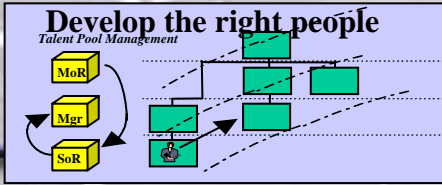


## Case Study

# Large International Chemical Conglomerate

## IV. Outcomes:

- A. Substantial improvement in the accuracy of individual assessment data.**
- B. Bench strength gap analysis led to corporate strategic initiatives to fill existing voids, e.g., a strategic marketing initiative (see figure 6).**
- C. Better individual placement to key jobs leading to increased performance and reduced turnover.**



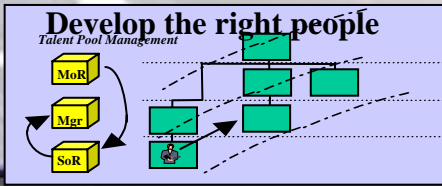
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## Large International Chemical Conglomerate

### IV. Outcomes (cont.):

**D. Increased deselection or transfer of marginal performers (15% replacement of senior managers in two different business sectors).**

**E. Improved individual development programs.**



## Case Study

# Large International Chemical Conglomerate

### IV. Outcomes (cont.):

**F. Much stronger fit between corporate business strategy and human resource capability.**

**G. MoR training produced more accurate potential assessment data; dramatically improved managerial leadership practices; substantially increased the viability and relevance of individual development programs and reinforced follow-on three level team-working.**

# Gap Analysis - Marketing/Product Development Functions (Potential Assessment Data)

Organizational Layers

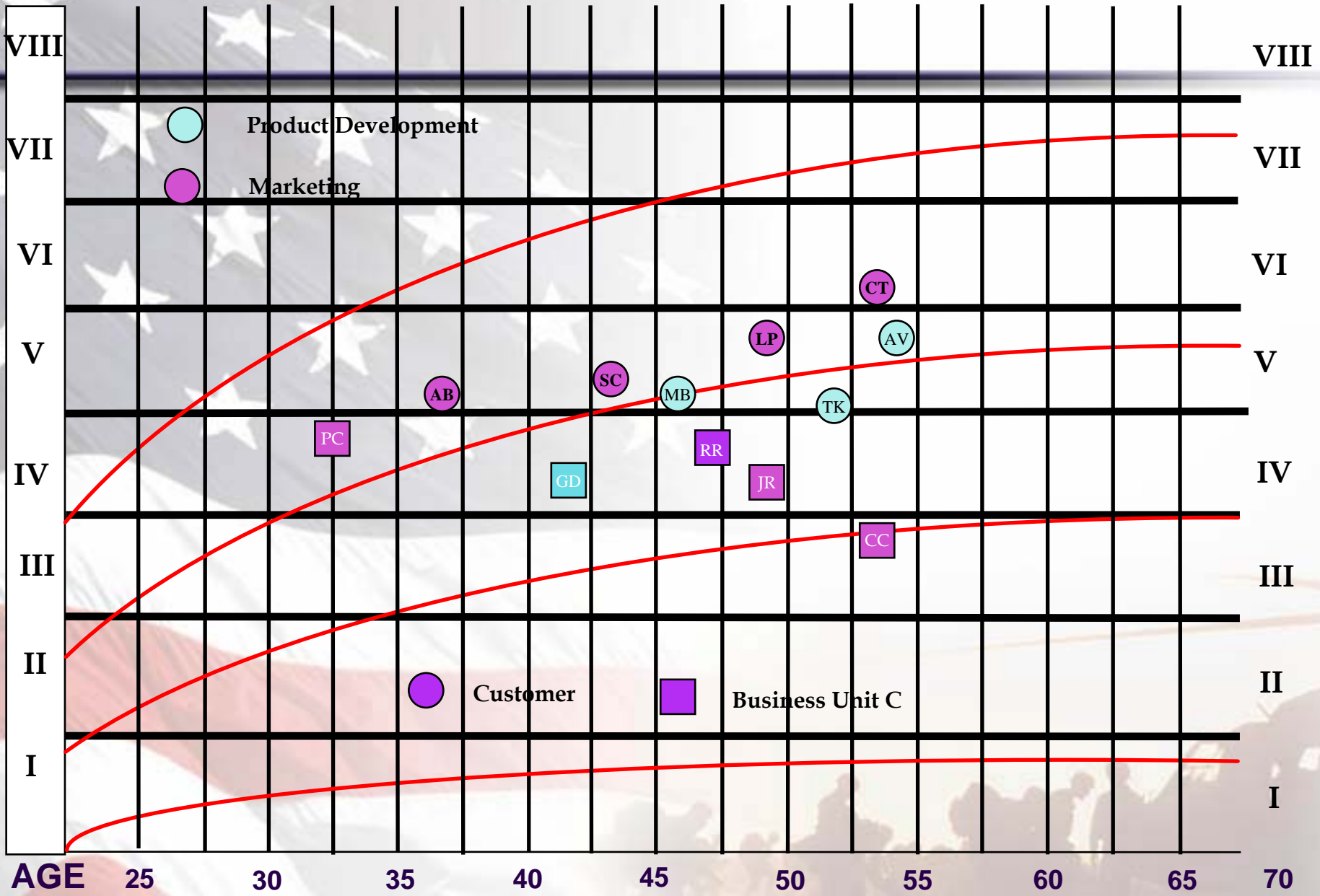
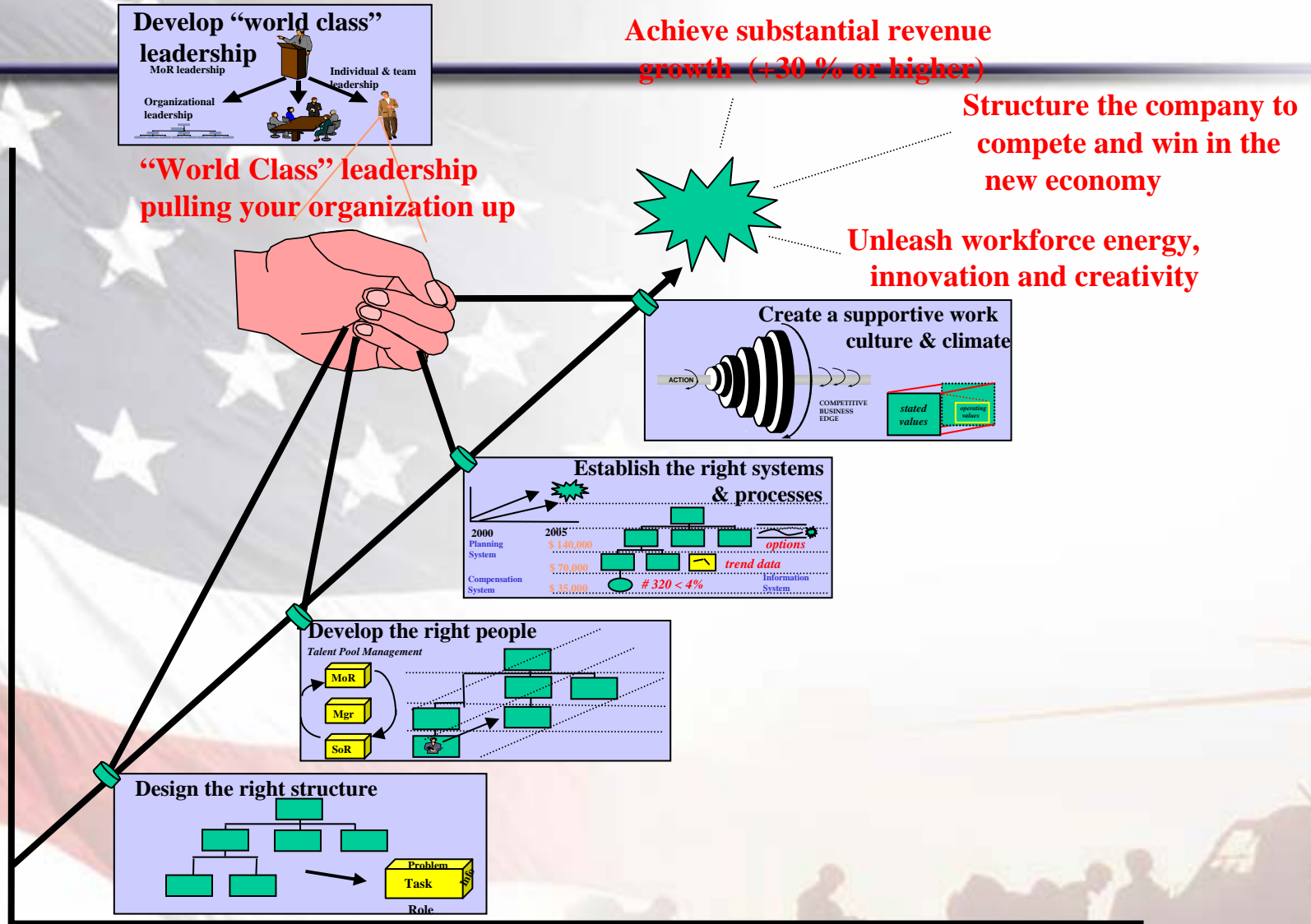


Fig . 6  
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# Building A High Performance Organization To Achieve "World Class" Results



# OUR PURPOSE

The Global Organization Design Society is a not-for-profit corporation registered in Ontario, Canada to promote the following objective:

The establishment and operation of a world-wide society of academics, business users and consultants interested in science-based management to improve organizational effectiveness for the purposes of:

Promoting among existing users increased awareness, understanding and skilled knowledge in applying concepts of Levels of Work Complexity, Levels of Human Capability, Accountability, and other concepts included in Requisite Organization and/or Stratified Systems Theory.

Promoting among potential users of the methods, appreciation of the variety of uses and benefits of science-based management, and access to resources.



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