

## **TALENT INTELLIGENCE – OVERVIEW:**

### **Introduction:**

The first and most important obligation a Board of Directors has is to identify and manage risks that may prevent the organization from reaching and achieving its goals. The whole board must therefore be actively involved in risk management. In managing risk the board has a responsibility to shareholders to foresee what could affect the organization and to make sure plans are in place that will minimize the impact of events or changes that could or will have a negative effect.

Each company is different and faces a unique risk profile, and so each board must identify the key risks affecting their own sector and take steps to manage those risks.

One of the areas of greatest enterprise risk for any corporation is succession planning and must be at the top of the list of board priorities. In the most recent NACD Public Company Governance Survey succession planning is again rated in the top 3 leading board issues. Yet numerous surveys consistently show that only one half of boards feel they are effective in Board and CEO succession planning and only 20% in the development of internal candidates for the CEO position. As such corporations and directors are highly exposed to succession risk – often referred to as “leadership risk” – which has a direct link to business continuity and performance.

The four elements of leadership risk for any organization to address are:

**Alignment Risk** – measuring, monitoring and managing the ongoing disconnect between the medium to longer term business goals and existing talent capability at the Board, CEO, and leadership level to execute the strategies.

**Readiness Risk** – no internal candidates suitably developed, or external benchmarked talent identified, to move in to a Board, CEO or leadership position.

**Vacancy Risk** – evaluation of the internal business and external market impact of a Board, CEO or leadership position being vacant

**Integration Risk** – assessing the potential for failure in assimilating a new appointee, be they internal or external, to a Board, CEO or leadership position.

Guided by each client's leadership risk profile and direction our dedicated account teams deploy a proprietary process resulting in actionable intelligence that provides the following:

**Governance** –on demand access, via a secure purpose built 24x7 web based system, to accurate, timely and relevant intelligence on the composition, structure performance and potential of competitor and best practice Boards, CEOs and leadership teams.

**Succession** -modeling of competitor's talent bench strength based on scheduled promotion cycles or re-election dates, likely talent acquisition targets and predicted impact of appointments. Extensive coverage of competitor's succession issues for CEO and senior leadership team. Reduce the cycle time of identifying, assessing and attracting leadership talent ahead of planned (or unplanned) need.

**Investor Relations** – ability to respond on a range of issues and draw accurate comparisons with industry peers, or similar sized businesses across all sectors. Improved investor confidence through transparent and heightened disclosure on the deployment of a best practice risk management strategy at the CEO and leadership team level.

**Relationship Development** – the ability to identify and target the real decision makers, and their networks, for business or market development purposes, strategic alliances and strengthening of relationships with current and future key suppliers.

**Corporate Social Network Analysis** – the ability to rate the “power” of an individual's network to deliver against current and future requirements.

**Talent Due Diligence** – validate human capital and related risk well in advance of any decision around M&A, emerging markets, new product launch, etc. to ensure integration success and protection of shareholder value.

**Compensation** – analysis and benchmarking of the relationship between basic compensation and incentive elements with correlation to CEO and leadership team performance and creating shareholder value.

**Diversity** – ability to benchmark diversity strategies and also identify and attract top diversity talent, not just for compliance but for competitive advantage.

By implementing a customized Leadership Risk Management solution the Board, CEO and senior human resource executives have the capability to significantly enhance the performance and competitive position of the company through improved leadership risk management.

The result is a talent rich organization, beginning at the top with the Board and CEO that creates conditions for increased:

- Business performance (protection against business stalling due to prolonged vacancies)
- Shareholder value
- Market capitalization
- Revenues and margins
- Market recognition for best practice governance and succession management
- Reduction in strategy formulation to execution delivery cycle times
- Investor confidence
- Customer and supplier confidence
- Transparent reporting and disclosure to shareholders, regulators, analysts, media
- Leadership effectiveness
- Holding or upgrading of company credit ratings

Further detail is provided in Annex A.

## APPENDIX A

### Details on Deliverables

#### Board

- the tabling of output from the Talent Management Solutions at Board meetings or the meeting of the Human Resources sub-committee, evidence of pro-active management of succession risk, fulfilling a key responsibility of Directors
- the use of Talent Intelligence to 'benchmark' internal executives evidence of the desire and commitment of the Board to ensuring that the best team is in place to deliver the future business strategy on behalf of shareholders
- the use of 'external talent' information provided by Talent Intelligence to the Board (mapping of all relevant external talent) ensures that the company is not disadvantaged by existing executive recruitment providers who are dealing with 'off limits' restrictions
- the Board, by overseeing the succession management activity and information, can play an active part in lifting awareness and encouraging the ownership of this critical activity by the CEO and Executive Leadership Team
- by actively calling for information and reporting from the CEO, ELT and Human Resources Function, the Board members can judge the performance and expertise of executives charged with the responsibility of attracting, developing and deploying human capital across the company
- directors can contribute their view and opinion on talent identified through the application of the Talent Intelligence solution who may be part of their own social/business networks resulting in higher quality decision making on CEO and executive appointments
- the use of Talent Intelligence solutions for specific critical roles such as CEO or CFO can ensure the Board can demonstrate a planned and structured process to ensure a well considered and smooth transition at the top leadership level
- the use of Talent Intelligence solutions can provide additional comfort to institutional investors, analysts and regulators (if relevant) that the board is 'on top' of its succession issues particularly if faced with unplanned events

## **CEO**

- demonstrates that the CEO owns and takes full responsibility for organizational succession planning
- using Talent Intelligence solutions will ensure that the top team is 'aligned' to the needs of the business and that there is an appropriate mix of internal and external appointments
- the use of the Talent Intelligence benchmarking solution reflects a desire by the CEO to have in place the very best team possible
- the use of the Talent Intelligence growth planning solution ensures that the supply of talent will match the growth aspirations of the company and ensure the delivery of the corporate strategy
- the use of the Talent Intelligence growth planning solution also ensures that critical or pivotal roles have adequate 'succession coverage' to ensure business continuity
- the use of Talent Intelligence demonstrates that the HR function (and the company) is leading 'best practice' and is actively building capability to assist all business units in their growth plans
- Talent Intelligence provides full visibility (without off-limits issues) of external talent with 'rich' background information which will be superior to that held by key competitors allowing higher quality decision making
- insight into how your competitors are deploying their talent to deliver their corporate strategy allowing leadership team discussions about the appropriate level of response (if any)
- provides the CEO insight into the 'quality' and supply of competitor talent which when compared to his/her own company will evidence the performance of the respective Human Resources functions/teams (given the supply of talent is as a result of leadership development efforts, talent acquisition, human capital investment and talent risk management).

## **Executive Leadership Team**

- the Talent Intelligence Management System (TIMS) and written reports is evidence a pro-active approach to managing succession planning risk by the leadership team
- investment in the Talent Intelligence solution set evidences a conscious investment decision to improve capability and mitigate business continuity risk to improve the performance of the business
- sends clear messages internally and externally that the leadership team is serious about Talent Management
- that by using Talent Intelligence, the team is demonstrating that they want the 'best team' and that the internal talent must compete with the best to hold executive positions

- demonstrates that the team acknowledges that their management of talent and succession will determine their future success and longevity as a high performing organization
- the sophisticated approach to succession management using internal talent assessment data and external benchmarking will allow the team to be proactive in business continuity risk management
- the operation of a 'best practice succession management system' which includes Talent Intelligence will assist the team to build positive employee engagement and reduce turnover

## **Senior Human Resource Executives**

- the Talent Intelligence solution demonstrates that HR is providing valuable strategic advice to helping achieve business unit goals
- active involvement in the Talent Intelligence solution by the sponsoring senior executive demonstrates personal commitment to talent management initiatives and actions
- the building of the Talent Intelligence solutions show an active commitment toward building the best performing team possible
- the commitment of time and funding to succession management demonstrates an awareness of the critical need to improve succession management performance and the management of business continuity risks to the business unit
- ensures the executive delivers on his/her 'people' key performance indicator (KPI)

