The Challenge of Developing and Retaining Talent

By Shalom Saada Saar

Shalom Saada Saar (ssaar@mit.edu) teaches leadership and self-management at the MIT Systems Design and Management program and the MIT Center for Transportation & Logistics. He is also a visiting professor of management practices at the Cheung Kong Graduate School of Business in Beijing, China. He is the author of the new book *Leading With Conviction* (John Wiley & Sons, 2013).

Hiring the right people for key supply chain positions is a critical success factor for companies. Wrong hires can be costly both financially and emotionally for all the parties involved. Yet in my experience most organizations have not adopted a systematic approach to talent management (TM).

This article sheds light on why many organizations find it difficult to retain talent, and proposes a framework for more effective TM.

Why Talent Exits

There are numerous factors underlying the loss of talent. Five of the most common include:

People Viewed as a Disposable Asset. Most organizations have not adopted the perspective that people are their most precious asset. They only pay lip service to the value of their employees. As a result, supply chain managers can become disillusioned and prone to the lure of headhunters.

Cultural Mismatch. Companies often rely heavily on a job candidate's background, level of education, and the interviewing process when recruiting supply chain talent. Yet, research shows that past success does not guarantee future performance. An individual hired from a demanding and competitive culture like Siemens, UTC, or Caterpillar, might find it hard to adjust to the more collaborative cultures found in companies such as 3M or P&G. Companies like Apple and Google that value creative thinking are not a good fit for highly structured individuals who might find these cultures too ambiguous. Learning agility and adapting to new situations are critical attributes, yet most companies rarely examine the candidate's abilities in these areas.

Incomplete Interview Process. It is widely accepted that interviewing is not always conducted in a way that yields an in-depth understanding of the candidate. Most questions focus on the technical side of SCM and there is limited focus on interpersonal skills. Very often interviewers are not well prepared to conduct a structured interview that addresses tough topics like listening, probing, influencing, and building lasting relationships.

Unmet Expectations. Once a person is hired and assigned to a specific job, the possibility for disappointment remains high. Unfulfilled promises of promotions, non-caring bosses, and the lack of career path are sources of disillusionment that can result in voluntary or involuntary exit. One of my SCM students was very disappointed when he was promised to spend a year in China to "learn the ropes." The promise never materialized, instead he was told to spend the next two years in the home office.

Lack of an Honest Dialogue. This is one of the primary reasons for talent loss. The absence of ongoing feedback and coaching are root causes for SC managers to look elsewhere. In a fast-moving environment, there is often little time for managers to provide a candid assessment of employee performance. Or managers are unable to provide honest, frank feedback on how their subordinates are faring, and many resort to "phony" performance reviews.

A Framework for Talent Management

In working with companies around the world, I co-developed the Talent Management (TM) Wheel, which is described in my new book *Leading with Conviction.* The wheel is divided into 10 components that play a critical role in managing talent. The following describes each element and offers some strategies on how companies can become more intentional and systematic in attracting, developing and retaining talent.

1. Recruitment and Educational Programs. Companies can play a critical role in influencing college curricula and sponsoring research projects for specific SCM challenges. And universities can do more to prepare students for the future. At the MIT Center for Transportation and Logistics, for example, SCM students are

offered courses on leadership, teamwork, and instruments such as 360 feedback reviews that teach them about their strengths and weaknesses. Subjects like communications skills, emotional intelligence, and building high performance teams are available to them. Universities offering SCM programs need to balance analytical training with interpersonal skills. I often warn my SCM students that it is the "soft skills" that will make them or break them.

2. Selection. This is one of the weakest links in the hiring process. Very few companies can duplicate the systematic selection practices that companies such as McKinsey Consulting utilize. But enterprises can learn important lessons from these leaders. For example, interviews should be structured to reveal a candidate's interpersonal and technical skills, with two or three interviewers asking tough questions. Well prepared interviewers convey the importance of the process to the candidate.

3. On-Boarding. The way in which a new hire is introduced to an organization can be critical in assuring that he or she understands and internalizes the organization's vision, values, and core competencies. Selection and on-boarding are almost like courting and getting married. The excitement of being hired, the sign-on bonus, and the relocation, can be emotionally energizing. Yet, the way the individual is brought on board deepens the relationship and nurtures a lasting commitment.

4. Training. Many organizations regard training as an expense. However, research shows that organizations that invest resources in training and development enjoy a highly competent and committed workforce. These programs also deepen employee commitment and internalize the organization's core values. Leading companies invest 3 percent to 8 percent of profit on training and development. Training programs should be creative and conducted by senior executives.

5. Deployment. Companies should define a clear career path with milestones that encourage supply chain professionals to venture outside their comfort zone. Job rotations and team-leading opportunities provide new challenges for these individuals.

6. Assessment. This is where organizations must build and sustain a culture of honest feedback. Managers must be evaluated against both their functional skills and expertise in spotting and developing talent. We often recommend that supply chain managers should be assessed by focusing 60 percent of their performance on business objectives and 40 percent on evaluating their leadership skills in terms of people development, coaching employees, identifying and promoting talent, and in retaining quality people.

7. Coaching. Personal coaching is a powerful way to motivate people and improve performance. I believe it rep-

resents an unconquered frontier in talent management. Set clear objectives for coaching interventions, be receptive to the challenges faced by direct reports, explore solutions collaboratively, and commit to follow-ups.

8. Recognition. Companies often fail to tap the full potential of their employees. One reason is a reluctance to celebrate individual successes. Such recognition underlines the importance of employees, builds a positive mindset that energizes people, makes them more confident, and cements company/employee relationships. Rewards such as stock options, profit sharing, and promotions strengthen these ties. The result is better customer service and higher morale. Companies that lead the way in this area include Wegmans, Whole Foods, Ritz Carlton, Herman Miller, and P&G.

> **Talent management must be systematic with a clear, strategic intention, based on the idea that people are your most critical asset and must be carefully cultivated.**

9. Succession. No organization can grow meaningfully unless it prepares the next generation of leaders. SCM senior leaders need to create a well-defined career path for upcoming talent. Successful organizations have implemented a system where each manager must assign his or her successor. In some companies, the system is so effective that each manager has an immediate successor, followed by a secondary candidate who will be ready in two to three years. Such a system clarifies the career path for prospective leaders, gives them an incentive to stay, and establishes a pool of talent for the company.

10. Exiting. People leave companies for many reasons. Yet managing these exits is a blind spot for many companies, particularly in terms of knowing how to part ways with fair treatment, demonstrated by honest feedback and coaching. Without a meaningful exiting process these practices will continue to drive out talent. The exit interview is a critical source of learning for the organization.

Your Most Critical Asset

Making talent management an integral part of the organization requires senior executives to work closely with the HR senior vice president. In most successful organizations HR and SCM leaders work as strategic partners. Talent management cannot be left to a "we figure it out as we go" approach; it must be systematic with a clear, strategic intention, based on the idea that people are your most critical asset and must be carefully cultivated.

Companies that approach TM in this way can reap the benefits of an engaged and committed workforce.