

Why Leaders Must Fight the Battle

*Human Resources is to Talent Search as
Airplane Food is to Fine Dining*

Why Leaders Must Fight the Battle

The fundamental reason that leaders must lead the talent wars is that no one else is doing so within the organization. The acquisition of talent is not analogous to finance, or property management, or legal affairs, or public relations, which can justifiably be delegated to specialists.

Many organizations make the fatal error of entrusting talent acquisition and development to human resources, which is a fatal error. This function was once “personnel,” or even “industrial relations,” and dressing it up with the contention that people are “resources” that need managing from specialists is neither honest nor helpful.

Here’s a quick test: Name five human resource executives promoted to CEO of Fortune 500 organizations in the last ten years. Assign that task to someone, and now let’s get on with the rest of this chapter.

STRONG LEADERS ATTRACT STRONG PEOPLE

What do strong leaders do to attract top talent? Strong people are confident enough to surround themselves with strong people, and weak people surround themselves with weak people.

Years ago, we were brought in for the first time to Burlington Industries, at the time run by a CEO named Klopman. At the very first meeting, he revealed himself as a belligerent, nasty brute, ordering people around with obscenity-laced demands. At the end of the morning, as we resolved not to return, a colleague asked, “Why would his people take that kind of treatment on a daily basis?”

“Because he has surrounded himself with weak people who will accept that treatment, simple as that.”

We believe that the readers of this book are healthy and confident and eager to build strong teams and cohorts. Here is some advice right from the outset:

1. *Build your personal brand in your industry—people want to work with people who are well-known in their field.*

THE TALENT ADVANTAGE

Nancy MacKay worked as the executive coach with the newly appointed president of a division of a global transportation company to develop his 90-day action plan for his new role.

“I’m curious, why did you leave your big job at the competition to take on this new role with a much smaller company?” she asked. “And, you had to move away from your family and commute on weekends to see them as a result of taking this new job. Why did you do it?”

“To be honest with you, I come from a wealthy family so I don’t need to work and it’s not about the money. I’ve been watching this company grow exponentially over the past eight years since the new CEO was appointed. I’ve heard him speak at industry conferences, and I’ve bumped into him a few times at many industry events. When he approached me to join this company, I was ready to say yes because I know I’ll learn a lot from him and one day I’ll be the CEO of this company,” said the president. Within six months, the newly appointed president was listed on the CEO succession plan, and Nancy worked with him on his development plan to be CEO “ready-now” within two years.

You want to serve as the magnet that attracts the metal and the mettle you need.

2. Hire people who are smarter than you are. Your success is based on getting results through others, so why not put world-class people on your team.

As input to a 360-degree executive coaching program, we interviewed all 12 board members of a large global manufacturing company to identify the strengths and opportunities for development of the CEO. This company was considered to be the world leader in the industry.

Talent Search

People are attracted to follow those setting an enviable example. They are repelled by those expecting people to do as they say, not as they do.

Why Leaders Must Fight the Battle

“The greatest strength of our CEO is that he is not afraid to put people on his executive team who are smarter and better than he is. He goes after world-class people, and he doesn’t settle for anything less,” said the chairman of the board. Every single board member identified this as the top strength of the CEO. And, every single direct report identified this as the top strength of the CEO. As a result, the entire company focused on attracting world-class people, which enabled the company to achieve extraordinary results.

Roy Vagelos, the now-retired CEO of Merck in its heyday, told us once after an executive council meeting, “I’m tough, maybe the smartest guy in the room. But what I look for are people who are smart enough and tough enough to challenge me. I always respect a good argument, and will change my mind as a result.”

3. Build long-term relationships with your stars. Always maintain relationships with your outstanding people whether they are in your own organization or not because you never know when they will come back to you.

Nancy facilitated a three-day succession planning workshop with the eight-person executive team of a large financial institution. “Now that you’ve identified your top 12 list of potential successors and their development plans, how are you feeling about the strength of your leadership talent pool?” asked Nancy.

“To be honest, I’m not very impressed. If these people are going to be running this company in the future, I’m not sure I would want to invest in this company,” said the COO. “There is no way we’re going to meet our high growth strategy targets with this talent pool. I can’t believe we haven’t developed our people.”

“We say our competitive advantage is our people, but clearly we’re not walking the talk,” said the VP of human resources.

Nancy challenged each member of the executive team to come up with a list of all the star performers they’d worked

THE TALENT ADVANTAGE

with over the past five years. Over the next six months, the executive team attracted five new external high potentials to the organization to strengthen their leadership talent pool.

In a consulting firm in Princeton, New Jersey, that was undergoing some bad years, Alan sat down with the senior managers with a list of 12 people. “They are all gone,” noted a vice president. “How is this supposed to help us?”

“It’s quite simple. If these dozen people had remained with the organization, we’d be three times our size today, because they are all doing spectacularly well themselves. The key is not to let this happen again, and to find the all-stars and make them productive and loyal.”

4. Success follows success—people want to work with successful people, and they will follow you forever.

Nancy worked as the executive coach with the new CEO and executive team of a mid-sized, privately held retail company. The new CEO, who was previously the division president of a very large retail company, was brought in as a hired gun to take over from a family-run business. His mandate was to double in size over the next five years. Over the past five years, with the existing executive team, the company had experienced very little growth.

“You’re going to have to build a new executive team if you want new results. Given your success track record with your previous company, you know where to go to get your new team,” Nancy pointed out.

“They won’t want to follow me here. It’s a mid-size private company, and I won’t be able to offer them the compensation that they want,” said the CEO.

“They will follow you because they know you’ll be a huge success in your new role and success follows success,” said Nancy. Over the next six months, he replaced all but one member of the existing executive team with someone from his previous executive team. As a result, he exceeded his first-year business targets and was prepared for accelerated growth in year two.

Why Leaders Must Fight the Battle

It's not unusual for entire teams to follow their boss to new surroundings. There is nothing intrinsically wrong with this, so long as the team has a great track record and can adjust culturally. Blending imported talent and existing talent is a key leadership goal, and obviously not one that an HR department can be entrusted with.

5. Get to know your competition. Build relationships and hire people who have "been there and done that" before at the competition.

Alan works with many consulting firms around the world. When they need key resources, he asks whether there are people anywhere who have done what they need to have done. If the answer is yes, his advice is to go out and hire them, since we know that they can do it. If the answer is no, then the advice is to make sure that the expectations are reasonable to begin with.

Nancy worked as a strategy consultant with the president of a division of a large global company, who had seven direct reports. The previous year, the division was rated number one in the industry on all measures of success. "What's your secret to success?" asked Nancy.

"Over the past five years, I've recruited every single person on this team from one of our competitors to ensure that we beat the competition. We went from being rated top 20 to number one in our industry," said the president.

We've told our restaurant and hospitality clients: If you want to move from number 20 to number one, find the people who are working for the organizations ahead of you on the list. Don't try to reinvent the wheel. But you have to make sure you are attractive to them in more ways than mere compensation.

6. Build long-term relationships with external recruiters. Short lists are getting shorter due to a worldwide shortage of leadership.

THE TALENT ADVANTAGE

If you build long-term relationships with external recruiters, you will get better service within shorter timeframes; make better cultural fits with candidates; make better decisions in selecting the best available top talent; and get top talent when you least expect it.

One of Nancy's CEO clients got a call from his external recruiter at a time when he was not looking to recruit anyone. "The top sales person in the industry has approached me to express an interest in working for you," said the recruiter.

"I'm not looking to hire anyone right now," said the CEO.

"He wants to make a move, and if you don't hire him I will have to send him to the competition. And, there might not be any top talent available when you're ready to hire someone," said the recruiter. After an extensive interview process, the CEO decided to hire the top sales person in the industry, which resulted in doubled sales in the first year.

Attracting top talent is a process that can't be confined to specific needs or organization chart vacancies. You want the best available athletes to come to you first.

THREATENED SUBORDINATES SINK THE SHIP

Weak subordinates are the first to run from trouble, to blame others, and to steal credit. They are invidious. The difficult, contingent action is to fire them, which is increasingly difficult and legally hazardous. The effective preventive action is never to hire them in the first place.

Here are the signs that you're losing this battle.

- *Create a fear-based culture. You cannot allow executives and leaders in key positions to maintain a "command and control" leadership style.* This sounds obvious but unless you create a sense of urgency for change, the shift to an empowering leadership style that attracts top talent will never occur.

Nancy was asked by the CEO of a large global company to work with his COO to help him build a more empowered

Why Leaders Must Fight the Battle

leadership team and to attract top talent to the team. The CEO felt that the COO was very defensive and threatened by any comments from the CEO; a B-player with brilliant technical competency; a person with that command and control leadership style that created a fear-based culture that resulted in his inability to attract top talent to his team.

As a result, there were no potential successors for the COO. And, both the CEO and board felt the company was at risk given the declining operational results over the past year. Nancy suggested a six-month, 360-degree executive coaching program for the COO as a starting point. With significant pressure from the CEO, the COO reluctantly agreed to engage in the program. As input to the coaching program, Nancy interviewed the CEO, peers, and direct reports of the COO, which validated the CEO's perspective on the COO.

At the start of the first coaching session with the COO Nancy said, "Are you aware of your strengths and opportunities for development?"

"I'm the best person in the world for this job. I know I need to make a shift to empowering my team and let go of my command-and-control style now that we've grown to such a huge size. I know I don't have the right people on my team, but these people have been with me for a long time. I know I have to change, but I don't know how to do it and I'm going to need your help." Over the next six months, Nancy worked with the COO to attract both internal and external top talent to his team, to build an empowered team culture, and to develop strategies to improve operational results.

At a division of Hewlett-Packard, Alan was introduced to a notoriously tough executive in his last year of work prior to retirement. He was successful in terms of hitting his goals, but infamous for an authoritarian rule that left bodies along the road.

Once he retired, after making his plan one last time, there was no one within the entire division to replace him, because the strong people had intelligently transferred out long ago, the weak people stayed and followed orders exactly, and he had

THE TALENT ADVANTAGE

bothered to groom no one as a successor. He was a tactical success but a strategic disaster.

- *Hang onto under-performers—because they don't have the right mindset, skills, success behaviors, and experience to take on new challenges and attract top talent.*

Alan spent months with the president of a manufacturing operation in North Carolina convincing him that he had to fire his engineering vice president. The president felt that no one should fail “on his watch,” which is a phrase that makes you wonder what the executive is watching—the psychobabble “good feeling” books or the business results.

After 90 days the resignation/termination was finally agreed upon, and both the president and vice president felt as if a weight had been lifted. The former went on to pursue his strategic goals, and the latter took a job with another firm where he was far more comfortable and appropriate.

If an executive is not firing poor performers, no one else is either.

Nancy was the leadership development and team effectiveness coach for the executive team of a newly appointed division president of a major financial institution who wanted his division to be ranked number one in the country. At the end of a two-day workshop, Nancy asked the president and each VP to commit to achieving the individual and overall team objectives that were set during the workshop. Everyone on the team made the commitment to deliver the results with the exception of the most senior VP. “I’m not sure I can commit to these targets given the uncertainty in my market, and my team is already working too many hours,” said the VP of the largest region that was underperforming. “Let’s take this off-line, given that we’re out of time today,” said the president.

Talent Search

All people are not equal and all opinions are not equally valid. The responsibility of leadership is to find the best and sort through the rest.

Why Leaders Must Fight the Battle

During the workshop debrief, Nancy said to the president, “It’s clear that your senior VP is threatened by your goal of being ranked number one and he’s not confident that he has the team to get him there. You’ll have to work with him to see if he can shift his mindset and attract the right people to his team to deliver these results.” Six months later, the president replaced the existing VP with a high-potential VP from another division, who was able to attract top talent to his team and speed up business results.

- *Ego-talk gets really loud.* That is, people who blow their own horns but don’t choose to play in the company orchestra create discordant noise. We’ve found that these are the eight major ego-talk behaviors of threatened subordinates.

1. The Defender—I have a great team and they are all working as hard as they can.
2. The Genius—I know what I’m doing and I have all the answers.
3. The Blamer—I put everyone else, including the boss, down for getting in the way of success.
4. The Whiner—It’s not my fault that my top performer got paid more by the competition.
5. The Cosmetic—I only reveal successes and hide failures.
6. The Controller—I’ll take care of everything; trust me.
7. The Squirmer—Don’t micro-manage me; I don’t need a coach; we don’t need meetings.
8. The Volcano—I blow up at people to cover their logical and factual ineptitude.

What you need to do about threatened subordinates:

1. Determine which subordinates are threatened by bringing in top talent.

Nancy was the executive coach to the CEO of a large manufacturing company. He said, “I have a B-player sales

person who is going on a maternity leave, and she wants to move someone into her role that isn't a top performer. Her boss approved her plan, and I feel like I need to step in to make sure we bring in an A-player. I think she's feeling threatened by replacing herself with someone who might be even better than she is."

Nancy said, "Step in and help them bring in an A-player if you want to accelerate results."

2. Create a sense of urgency and hold subordinates accountable to participate in leadership development training and/or coaching and mentoring programs within a six-month time frame.

We worked with the CEO and executive team of a large global software development company on a team effectiveness program. During the first team session, the COO said to the CEO, "You need to stay out of our way if you want us to be successful. We've had a couple of bad quarters this year but that doesn't mean we need to bring in new people to rescue us. We know what we're doing."

The CEO met with us and the COO after the session and said to the COO, "You are a barrier to our success because you're threatened by bringing in the top talent that we need to turn this company around. I've asked Nancy to be your coach over the next six months as we make the changes necessary to bring in top talent. If you're not able to make the shift, then you won't be on the bus much longer."

3. Replace subordinates if they are not willing and able to make the shift within a six-month time frame.

One of Alan's CEO clients was having some challenges with his CFO. He said, "He's been with our company for a year now, and it's just not working out." Alan asked, "Is he aware of the issues you are having with him and have you been giving him lots of feedback along the way?"

Why Leaders Must Fight the Battle

He said, “Every time I give him feedback he gets very defensive and he blames me for not doing what he thinks I should be doing.” Alan said, “You’ve waited six months too long for this decision.”

STAFF FUNCTIONS ARE, WELL, STAFF FUNCTIONS

Staff functions aren’t reliable sources for talent internally. Occasionally, the general counsel, chief actuary, or CFO gets the top job, but not often. And internal, lower-level positions are seldom filled by raiding the corporate staff areas.

One great exception we found was at Tastemaker, a global leader in food flavoring once owned by Mallinckrodt. The CEO placed the Mexican operation under his human resources vice president. “He has to learn,” the CEO pointed out, “what his line clients are going through in leading P&L centers, and I’m obligated to try to prepare him for senior line functions.”

But that kind of thinking is all too rare.

Staff functions such as IT and finance and legal attract people with a passion for technical competence, and all too often the relatively narrow education that accompanies it. (In the last decade, even MBA programs have significantly broadened their scope to embrace more diverse and non-technical subject matter.)

In most companies, the only way to get promoted is to move into leadership roles. That has created havoc, often creating the loss of a superb individual contributor and the concurrent creation of a lousy manager. IBM was one of the forerunners in resolving this carnage when they created the role of “fellow.” In their system, a researcher could become a senior fellow, rather than be forced into managerial ranks. The ladder extended to executive fellow, so that compensation, prestige, and perquisites could accrue without undermining the talent bank.

But usually, technically competent people who would prefer to stay technically focused have no other options for

THE TALENT ADVANTAGE

promotion, and they take on leadership roles with no passion or competence to get more status, money, and advancement. The problem is that the company becomes a willing co-conspirator in this assault on competence.

Talent Search

If you blindly promote people from within, the cream does not rise until it sours. The milk goes bad long before that.

Staff functions lack accountability for P&L results so they are more likely to settle for less than top talent, and rightly so. When Alan worked with Merck for over a decade, the senior executives were fond of pointing out that they needed world-class bench chemists, but not world-class accountants. They were willing to pay for and pursue—with sometimes heroic efforts—the talent they needed in critical places, but they also recognized where “good” was, indeed, “good enough.”

More recently, successful companies are putting strategies in place to promote, reward, and compensate people in specialized technical roles instead of putting them into leadership roles, as IBM pioneered. And in order to attract top talent in staff functions, companies are putting strategies in place to have people with strong leadership skills and a business background in charge of staff functions.

Examples:

- IT Functions:
 - There is a reason why CIO stands for “career is over” and the average tenure of a CIO is less than three years.
 - There is a lack of strong leadership skills in IT functions because most people are drawn to IT because they love working with technology, not people.

Why Leaders Must Fight the Battle

The CEO of a large global company fired his CIO after 2.5 years and replaced him with an internal business executive who had no IT background. When asked why he fired his CIO he said the following, “The CIO wasn’t able to build relationships with the executive team, and he wasn’t able to build and attract a strong leadership team underneath him. We made a big mistake by hiring for technical competence versus leadership strength when we hired him.” That is increasingly the refrain today.

- Finance and Accounting Functions:
 - There is a lack of strong leadership skills in F&A functions because most people are drawn to F&A because they love numbers, not people.

Nancy was hired by the CFO of a large global company to assist with the burnout situation that had been taking place in his department over the past year. The business grew very quickly, and the CFO was having great difficulty in recruiting top talent to keep up with the growth and increasing demand on his department. “What’s getting in your way of attracting top talent?” asked Nancy. “We’re an overhead department so I want to make sure we’re only hiring for what we really need and we don’t want to spend too much money on new hires because we have to set the example for the rest of the company,” said the CFO. Nancy replied, “Top talent expects to be paid fairly, to have learning and growth opportunities, and great bosses who will provide an environment to help them achieve their full potential without burnout.”

- Human Resource and Organization Development (OD) Functions:
 - This has become the dumping ground for people who are not good enough to serve elsewhere, and/or to prove the company’s commitment to diversity.

THE TALENT ADVANTAGE

There is a disproportionate number of minorities and women in HR senior positions. In fact, if you eliminated these people in the head count, you'd find the record of most companies in the diversity of senior people to be far more dismal than it is. Unfortunately, these people of tremendous talent have been relegated to the sidelines and are not in the succession plan beyond their silo. Moreover, there is a tendency to put people in HR and OD who are strictly theorists and faddists. They deal with training vendors and create "team building" experiences that go nowhere and do nothing. As stated at the beginning of this chapter, virtually no senior executive in HR *ever* is promoted to COO or CEO, and the same holds true for lower-level promotions to line areas, which is why the Tastemaker example is so outstanding and rare. Transactional HR (benefits, recruiting, training) has been increasingly outsourced, and transformational HR (consulting, change management) has been increasingly ceded to external consultants with more expertise and less organizational baggage and political vulnerability.

- Strategic Planning Functions:
 - Unfortunately, what could be a very key contribution has become a refuge for theory and viewing from the sidelines.

Why else would the strategy firms, from McKinsey to Alan's and Nancy's own companies, be called upon with such frequency to assist in organizational strategy? This area has become a *de rigueur* formality to please the board, but the only powerful executives who ever inhabit it are usually those a year or so away from retirement who need to be housed temporarily for benefits purposes. We have never seen a truly outstanding line executive be rewarded by an appointment to the strategy area.

Why Leaders Must Fight the Battle

Working with a \$400 million animal health operation in Chicago, Alan was asked by the division president to work with the vice president of strategy (John) to improve his performance with colleagues. John sniped at everyone, blamed line management for the failure to meet his plans and, on close questioning, actually knew very little about strategic processes. He was an unsuccessful former line manager.

“Get rid of him,” Alan told the CEO, after 30 days of fruitless coaching.

“Not on my watch,” said the CEO.

“Do you really want to tell the board next month that you’re 15 percent under plan and not yet able to open the European operation because you, personally, are spending 20 percent of your time on this guy’s dysfunction?”

John was gone the next week. This staff area is usually the cause for more failure work than potential leadership.

WOULD YOU BE HIRED BY YOUR OWN HR DEPARTMENT TODAY?

We ask leaders all the time whether they honestly believe they (or people for whom they have a high regard) would be hired by their own HR departments today, as we return to our basic premise of why talent acquisition must be the key priority of leadership.

Here is what we’ve found, in summary.

The top ten reasons why you can’t delegate winning the war for talent to your HR department and what to do about it:

1. *Lack of business acumen and financial literacy.*

Key strategy: Companies are appointing people with line experience, on a rotational basis, to VP, HR roles to run

THE TALENT ADVANTAGE

HR like a professional services business. This includes clear business objectives and metrics for success.

2. *Lack of understanding of strategic plan and business priorities.*

Key strategy: HR has a seat at the strategy table to ensure HR strategic alignment with the overall company strategy. But this isn't just warming the boardroom chair. This means that HR performs the role of cross-functional synthesizer, looking at ways to marry career development and succession planning and proactively finding voids that must be filled by external talent acquisition.

3. *Lack of understanding of the skills, behaviors, and experience required for each role.*

Key strategy: HR is moving away from an order taker role to a business partner role of understanding the business enough to be proactive in defining requirements for new roles. External help is fine, but HR must partner with superb external resources, not merely by books, software, and experiences.

4. *Lack of relationships with internal top talent.*

Key strategy: HR is building relationships with high potentials and monitoring succession plan outcomes to ensure ready-now targets for high potentials are achieved. Once upon a time at the old Chase Bank, Rockefeller had a locked room with photos of "Chase Property," meaning the talent that had to be nurtured and retained at any cost. Supposedly, there were only three keys to the room. HR had better be living in that room.

5. *Lack of relationships with external top talent.*

Key strategy: Hold HR accountable for building relationships with external top talent through involvement with industry associations and conferences. Some of the best HR people we've seen have a direct line to the top recruiters in the country. The sign of success: The company is presented with top candidates even though there is no immediate need, but is given the first right of refusal.

Why Leaders Must Fight the Battle

6. *Lack of accountability for business results.*

Key strategy: Hold HR accountable for outperforming industry success measures for HR benchmarks. In addition, HR becomes a partner with several line initiatives and they succeed or fail together. The traffic cop mentality has to end.

7. *Lack of decision-making authority.*

Key strategy: Give HR decision-making authority and accountability for delivering results similar to external recruiters. How many companies today are judging HR leaders by the tenure and performance of the talent they find outside or recommend from the inside after 6, 12, or 18 months in the new job? Not many? Are you?

8. *Lack of industry knowledge and key recruiting trends.*

Key strategy: provide industry-related training and development opportunities to HR professionals. They have to remove themselves from the HR silos in the profession and stop listening to academics or gurus with products to sell and speeches to peddle on how to implement the latest fad. Instead, they should be at the Harvard Advanced Management School, and conferences at INSEAD, and publishing their findings and intellectual property in business literature.

9. *Lack of sales and marketing expertise.*

Key strategy: Companies are creating VP roles accountable for both HR and sales and marketing to break down the silos and speed up recruiting. No one, but no one, should spend a career in HR.

10. *Key strategy.*

Consider dispersing HR into the line units. This is the most radical but we think the most promising and powerful approach. Stop thinking of HR as a staff unit, but think of it as a line responsibility for every line leader, no different from managing sales, or research initiatives, or product commercialization.

Talent Search

Get the troops in order. Either set HR on the right track or eliminate it, at least insofar as choosing talent is concerned. At best it's helping you, but too often it's hurting you.

In a major transportation company, we encountered the executive team pointing the finger at HR for not being able to recruit people fast enough to achieve the quarterly business results. The CEO agreed that we needed an executive team session to address the situation. "I'm holding every single executive team member accountable for recruiting top talent. The role of HR is to help each of you be successful in attracting the right people to your team so that you can deliver your business results. We're not leaving here today until we've come up with all of the possible strategies and execution plans to achieve our recruiting goals," he said.

If he had not held the executive team accountable for developing the recruiting strategies and tactics, the blame game would have continued with no new results.

Similarly, if you find that you wouldn't be hired by your own HR department, or top talent you already have found wouldn't, you have a problem. In any case, the ultimate responsibility is that of the leaders. You must work collaboratively with your subordinates, with external resources, and with HR (in one way or another) to ensure that you are winning the war for talent. Let's turn now to how you stack up.