



# Looking Ahead: Building Bench Strength for the Upturn

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Economic cycles of slowdown and recession followed by recovery and expansion appear to be a fact of life. Having experienced four such cycles during my 25-year career in executive search, I have made note of the ways in which companies typically react to market downturns from an executive leadership and human capital perspective.

When faced with an economic slowdown or recession, many companies focus exclusively on downsizing as the human capital facet of their survival strategy. They tend to cut very deep at all organizational levels to preserve cash.

While scaling headcount to support anticipated business is a sound strategy in any phase of an economic cycle, I have noted that many companies take an arguably myopic approach that results in taking out too much talent—and, perhaps more importantly, missing opportunities to use the downturn to recruit top-flight talent for areas of strategic importance.

From an executive human capital perspective, cuts become too deep when competitive advantage is impaired due to departures from the organization. A deterioration of customer service—both internal and external—is one of the first signs that a company is cutting too deep. During a period of downsizing, it is more critical than ever to measure and monitor customer satisfaction through continual feedback from the client base to

ensure that adequate resources are still in place. The elimination of key leaders because of fiscal constraints can also lead to a certain level of organizational dysfunction that has a ripple effect across areas essential to sustaining long-term competitive advantage, such as product development, market development and R&D.

At least as important is the missed opportunity to prepare for the upturn. Rather than focusing exclusively on organizational cuts, I encourage companies to build bench strength in areas of strategic importance during a down market. A company's CEO, Board and top HR executives would be wise to analyze areas of the organization about which they need to be most concerned relative to situations ranging from potential retirements and flight risk, to areas where individuals are perhaps not stepping up as aggressively as they need to in managing their respective pieces of business. As part of this process, the CEO and Board should also give a lot of thought to where, over the next five to seven years, they are going to need to augment their management teams. A down market presents a great opportunity to do just that, because many individuals in organizations—even high performers—find themselves in tough environments where retention incentives have lost their luster.

Now, more than ever, companies need to look at the available talent pool for succession planning and move aggressively.

### **Process for Building Bench Strength**

The process by which one identifies talent to build bench strength in a down market involves best practices for organizational development in any market phase.

#### ***1. Know Your Existing Talent***

Regardless of the economic climate, I advise clients to evaluate the top and bottom 10% to 15% of their respective organizations on an annual basis through a combination of peer review, 360° feedback processes and other evaluation tools. Ongoing

assessments enable an organization to ensure that the right people are in the right roles, and to put in place the best development programs for key leaders.

## ***2. Identify the Gaps***

Regular talent assessments are of critical importance to building bench strength because they shed light on what type of talent an organization needs now and in the future through a needs assessment. Gaps typically identified through a needs assessment include: the need for leadership with competencies and expertise in areas of future strategic importance; talent required to back-fill behind planned retirements; anticipated shortages in executives in functional areas where leaders are in particularly high demand (for example, in financial function specialties); succession planning behind key executives; etc. In tandem with the talent assessment, the needs assessment will also reveal which executives within the organization can be groomed for succession. It should also highlight areas where the organization needs to augment its leadership ranks to address future requirements, taking into account the future direction anticipated for the company's industry, client/customer base, products, services and talent pool.

## ***3. Target Talent Sources***

The next step in the process involves identifying target sources of talent for building bench strength. Certain companies are recognized for excellence in functions, such as finance, human resources, sales, product development; marketing and branding, just to name a few. The list of target talent sources should generally focus on such best-in-class companies recognized for leadership in functional areas where the organization requires bench strength.

## ***4. Prioritize Target Sources***

A hiring company can prioritize the list of target sources for outreach by researching and analyzing each organization's competitive situation relative to talent retention. In the current economic climate, many executives' compensation packages and—perhaps

more importantly—long-term incentive programs will have fluctuated along with their respective companies' stock prices. Increased merger and acquisition activity can also make executives in target organizations question their long-term options within their current companies. Just as an uncertain economic climate tends to make executives in strong situations more difficult to woo because of perceived risk in making a move, it can make leaders in less stable environments more open to listening to new opportunities. Therein lies the opportunity to build bench strength in a down market.

### ***5. Conduct Candidate Outreach***

After identifying organizational gaps, analyzing current and anticipated requirements based on market trends, targeting the most likely sources for talent, and prioritizing those targets, the HR leader for the hiring company can begin outreach to qualified executives. Key to recruiting an executive is an understanding of why one's opportunity represents a substantial improvement over his or her current situation. Thorough research and analysis of potential target sources is critical to this process, because it enables the person making the outreach to understand how to position the opportunity.

Addressing current, anticipated and potential talent gaps is the primary objective of this exercise. A secondary but very important benefit to a company of building bench strength in a down market is the opportunity to build a reputation for commitment to succession planning, which helps an organization not only attract, but also retain talent.

### **Demonstrating Commitment to Succession**

One of the most common reasons why successful executives remain open to listening to opportunities is perceived lack of upward mobility within their own organization. By the same token, executives within companies that hold succession planning as a core value tend to be more difficult to recruit, because they perceive relatively strong opportunities for career development where they are.

There is a real added value to an organization in continuing to talk about and demonstrate a commitment to succession during in a down market. At a time when most are focused exclusively on taking people out to cut costs, a company that shows the market that it is focused on the future—and on building that talent pool to grow the business beyond a recession environment—is selling and positioning itself for the future.

Economies inevitably come out of recessions, which will surely be our experience again in the coming months. As the market recovers, companies that have identified people internally and externally to fill any strategic bench strength gaps will be among the best-positioned to take full advantage of the upturn. With a strategic approach, a company can identify great people in a down market who will be interested in taking that next step in their careers—particularly to organizations that are committed to growing at all times and to succession planning. If I were sitting at the Board level in a down market, I would be pushing my CEO to make sure that I have one—if not two people or more—in each of the key functions and/or business units so that as people burn out, retire or leave for another company, the organization has the bench strength it needs to continue to flourish.

### **The Role of HR in Building Bench Strength**

HR plays a critical role in facilitating, driving and shaping this process. The right HR leader is working closely with the CEO and other C-suite members on identifying talent and identifying holes and putting in place world class recruiting strategies in areas the organization needs to build up. The HR leadership team should be a strategic asset to the CEO and confidant to C-suite throughout this process regarding what's working and what's not. HR should also be spearheading efforts to either develop existing people or augment leadership ranks from the outside with additional succession and recruitment strategies.

It would be an interesting exercise for a company to have a search firm act as its eyes and ears to the market by talking at a high level to best-in-class leaders across functional areas about the organization and assessing their interest, while mapping out the best external talent for that particular organization. This talent market assessment initiative could subsequently lay the groundwork for a direct (or via a search firm) outreach to begin building that bench strength.

During a down market, there is a real opportunity for organizations—including private equity firms—to look at great talent in relevant industry sectors and develop a pipeline of bench strength to bring on board. At a minimum, an organization —whether private equity or traditional corporate—can begin identifying individuals within specific industry and functional categories that constitute best-in-class talent for their particular requirements. With some careful planning, analysis and outreach, it is possible to use the market downturn as a springboard to a stronger and more robust organization over the long-term.