

What To Do After You've Hired Your "A Players": *Strategies for Retaining Your Best and Brightest*

Robert G. Fong, Managing Partner – Global Advanced Technology Practice
Nosal Partners LLC

In the mid-1990s, I sat down with the Chief Executive Officer (CEO) of one of the most significant brands in electronic commerce to discuss his most pressing executive leadership issues. At the time, his most burning question was how to ensure that his company could continue to recruit only "A players". Over the years, I heard my colleagues in the executive search business respond to that challenge in a variety of different ways. They would typically cite methods ranging from sophisticated assessment tests and psychological evaluations, to elaborate sourcing strategies for zeroing in on high-potential executives.

Much has happened since that conversation, which took place during the early phases of the dot-com boom – a period during which many companies were so anxious to keep pace with growth projections that they at times hired injudiciously. Most executives who experienced that frenzied era learned either directly or indirectly some hard lessons about making the right choices, both from the perspective of the hiring manager, as well as the candidate. The dot-com bubble burst in the early part of this century; the job market eventually regained steam, albeit not at the manic pace as that of the latter part of the 1990s.

I suspect that if I were to sit down with that same CEO today to talk about what keeps him up at night from a talent perspective, he might ask me how to ensure that the competition does not steal his company's best and brightest. More and more companies are only now realizing that, while talent acquisition strategies are important, talent retention is at least as – if not more – critical to a company's long-term success. Even during the most recent recession, we still saw movement within the most senior ranks. While the risk/reward equation during the recession caused most executives to think long and hard before making a transition, the most accomplished executives still kept their eyes and ears open to new opportunities.

What is the cost of losing top talent?

The organizational cost of losing executive talent is well-documented. In *Assimilating New Leaders: The Key to Executive Retention*, Diane Downey, Tom March and Adena Berkman explore the direct and indirect costs to an organization relative to replacing an executive. Highlighting research conducted by Sibson & Company in four industries prone to executive job-hopping, "employee turnover replacement costs have reduced earnings and stock prices by an average of 38 percent. This estimated financial cost of replacing a new employee would have to be multiplied at least threefold to begin to understand the cost and impact of replacing a new leader who has failed or left an organization."

The authors go on to outline the indirect costs of executive turnover, which "affects an organization's competitive position not only because it creates a leadership vacuum but also because it:

- Triggers turnover at other levels throughout the organization
- Creates a loss of intellectual and developmental resources
- Disrupts and weakens customer relationships"¹

¹ Downey, Diane; March, Tom; and Berkman, Adena; *Assimilating New Leaders: The Key to Executive Retention*, AMACOM/American Management Association; 1st edition, July 2001

Besides the organizational knowledge lost and the potentially significant replacement cost when a key executive departs, a company may actually also suffer from a blow to overall employee morale when it loses key executive talent. This phenomenon may seem especially pronounced when one of a company's star executives leaves for a competitor, the effect of which can seem to be that of weakening the organization while in turn strengthening one of its "enemies".

Talent retention strategies for the 21st century

Above and beyond competitive financial incentives, benefits packages, and legal restrictions, what measures can a company take to hold onto its most talented executives?

Over the course of my 10+ years as an executive recruiter, I have noticed that even a well-compensated executive will consider greener pastures if he or she feels lack of professional fulfillment, or perceives a low likelihood of advancement through the organizational ranks. These highly-talented, yet mildly to moderately dissatisfied executives are a recruiter's dream - low-hanging fruit, ripe for the picking when presented with exciting, new opportunities.

Of course, it is not always possible for a company to offer high-potential executives a steady stream of promotions to keep them feeling engaged and fulfilled. In fact, more the opposite is true today. The Harvard Business Review described this "career bottleneck" phenomenon as follows: "The baby boom generation is large, and too many people are competing for too few leadership positions in organizations that have been shedding layers of hierarchy. Next to job security, this is one of the biggest concerns of managers in their forties and fifties."²

So, what is an employer to do? How does one provide meaningful roles for talented, ambitious people when it is not always possible to offer a bump in compensation or a more senior title?

What I propose is that companies provide a "talent acceleration" program for their best and brightest. Although the premise is simple, it is not always easy to put into action, because it forces organizations to identify – and to a certain extent exalt – individuals they consider their high potentials. Target candidates for a talent acceleration program would typically be high-potential executives falling below the C-level (CEO, CFO, CIO, CMO, etc).

Although, in my opinion, all FORTUNE 500 companies across every industry sector would benefit from this type of program, I believe that technology-centric companies would potentially have the most to gain from talent acceleration programs. I have observed on numerous occasions the traumatic effect that the departure of a key technology industry executive can have on a strategic initiative, if not an entire company. Moreover, today's technology companies – which according to *The Wall Street Journal*, represent close to 80% of the companies subject to SEC stock option grant probes³ - seem especially vulnerable to losing executive talent, because so many of their leaders are finding themselves in the eye of the storm and need

² Morison, Robert; Erickson, Tamara; and Dychtwald, Ken; Managing Middlesense, *Harvard Business Review*, March 2006

³ Options Scorecard, *The Wall Street Journal Online*, January 10, 2007, revealed that 95 of the 120 companies under SEC investigation for back-dating options were technology companies.

to step down. Now, more than ever, technology companies need to take measures to retain their best and brightest in order to maintain critical leadership continuity in turbulent times.

What is talent acceleration?

Talent acceleration is not about filling a gap in an organization, but rather crafting individualized development plans to make sure that an organization's best executives are experiencing such a sense of professional growth that they are unlikely to leave. This is especially important in cases where no immediate upward career path through traditional succession planning seems apparent.

Individualized development plans in and of themselves are nothing new. Many of the world's leading brands have groomed high-potential talent through programs tailored to each executive's individual needs. What I am proposing through talent acceleration programs is a fresh approach to executive development programs – and one geared towards increasing employers' "stickiness" to star performers. As highlighted in the famous McKinsey Co. study "The War for Talent", experts believe that the most important corporate resource in years to come will be talent. This war seems to be especially pronounced in the technology industry, where a pervasive culture of innovation, meritocracy and entrepreneurialism constantly spawns new ventures and opportunities. I feel that talent acceleration programs could greatly enhance a technology company's competitive position as the famed War for Talent escalates.

A talent acceleration program should obviously be tailored to each individual's background and aspirations, but might include strategies such as:

- a. Carving out and reassigning to an executive responsibilities from a couple of functional areas outside of the scope of his or her primary oversight.
- b. Moving someone from a functional role into a line management role where he or she would have P&L responsibility.
- c. Facilitating an international assignment.

Although in terms of content the possibilities are virtually infinite, the main concept remains the same: to provide prized executive talent with fresh challenges to keep them feeling highly-engaged with – and therefore committed to – an organization.

How does one put a talent acceleration program in place?

Although there are also many tactical steps involved, the major phases of creating a talent acceleration program are as follows:



1. **Identify Your “A Players”:** Each organization should identify qualitative as well as quantitative criteria for evaluating executives with a view to identifying its most valuable talent. To establish the candidate evaluation criteria, the organization’s senior leadership team should rely on a combination of industry standards, benchmarks and best practices, as well as input from its C-level executives. Although participant nominations should come from throughout the organization, the CEO ultimately needs to determine who to include in the “short list” of program participants.
2. **Craft Individual Plans:** Put into place for each executive an individual plan that provides real challenge and professional growth. Set clearly-defined objectives for horizons of six months, two years, and five years, and determine rewards for success.
3. **Monitor Progress:** Assign an external coach and C-Level sponsor for each executive in the program. The C-Level sponsor should meet with the program participant on a regular basis to monitor progress and provide mentoring support.
4. **Reward Results:** If the program is to achieve its objectives, the organization must follow-through on rewarding the participants who achieve their objectives through the agreed-upon incentives. Otherwise, the organization runs the risk of frustrating and ultimately alienating the very key players that it is trying to retain through the program.
5. **Solicit Feedback from “Customers”:** Every industry and organization will have characteristics that affect the degree of ease of implementing the program. It makes sense to involve the program participants in efforts to fine-tune the talent acceleration program. Ask them to compare notes on what’s working and not working with the initiative, and to brainstorm on potential solutions. By doing so, an organization is not only getting invaluable feedback on the initiative, but also involving its best and brightest in yet another way that increases their sense of engagement with the company.

Think of it as an investment

An effective talent acceleration program clearly requires a substantial investment of time and resources. Because of the potential political dynamics that can become intertwined, an organization’s CEO, as well as its Board of Directors, must fully support the initiative for it to be a success. Even the task of identifying an organization’s “A players” is fraught with challenges because of the corporate politics and ego-driven dynamics that can come into play. Those who are not invited to participate in the program may feel alienated.

I feel the long-term return on investment from talent acceleration programs will be substantial as competition for top-flight talent becomes increasingly intense. While this program may have the effect of building up an organization’s bench strength, it’s primary objective is still to lock-up much of the company’s best and brightest for the long-run by keeping them not only motivated and challenged, but also too busy to field phone calls from those pesky head-hunters.

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Robert G. Fong is a Managing Partner for the Global Advanced Technology Practice at Nosal Partners LLC and can be reached at (415) 369-2206 or robert.fong@nosalpartners.com.