



Guide to Talent Planning for the Middle Market CEO



VISTAGE

Guide to Talent Planning for the Middle Market CEO

No surprise: The best-performing companies tend to have the best people working for them. Research from the National Center for the Middle Market (NCMM) confirms that the performance of a company is closely linked to the caliber of its talent.

What's less obvious, however, is that *talent planning* has a strong correlation with the growth and performance of a company. NCMM researchers found that in the middle market, the fastest-growing and best-performing companies **make the right decisions about talent planning**. They tend to:

- have a formal talent-planning process,
- engage in a comprehensive assortment of talent-planning initiatives, and
- encourage involvement in the talent-planning process by senior executives and top-line executives.

To gain greater insight into these and other talent-planning issues, NCMM—with the support of Vistage—surveyed 400 C-level executives from middle-market companies who are actively engaged in attracting and retaining talent for their organizations.

The study benefits C-suite executives from middle-market companies in two key ways, says Thomas A. Stewart, NCMM executive director and one of the study's developers. "It proves that there is a **big return on investing in the management of people**, and it **gives you a framework and a set of activities** that you can do to start improving the way you manage people," he explains.

Here are **six takeaways** from the study to help you make smarter decisions about talent planning.

What is talent planning?

Talent planning is a broad category that includes activities such as succession planning, talent review, human resource planning, bench strength analysis, staffing development, and performance management.

Defining the middle market

Company Size	Small	Middle	Large
Annual Revenues	<\$10M	\$10M-\$1B	>\$1B



1. Talent planning is a powerful business driver.

Here's a compelling reason to invest in talent planning: **It has a strong correlation with revenue growth.**

The NCMM study found that companies with an **annual revenue growth of 10 percent or more are significantly more likely** than slower-growing organizations to say they perform very or extremely well at talent-planning initiatives. Those initiatives might include identifying critical positions and "can't-lose" players or engaging management in the talent-planning process.

Vistage Chair Mark Taylor, who guides five peer advisory groups for CEOs and key executives, has also observed a shift in talent-planning approaches once companies reach a revenue milestone.

"Right about that \$20 million mark in revenue is when I see that CEOs are looking at talent planning in a different way," he says. "Until then, they're more opportunistic, versus having a specific planning process."

When it comes to talent planning, **what makes the fastest-growing, best-performing companies different from their slower-growing peers?** According to the study:

1. They place more importance on talent planning.
2. They are more likely to engage in a full suite of talent-planning activities.
3. They are more likely to say they perform "very well" or "extremely well" at talent-planning initiatives.



Tip: Treat your recruitment process like your sales process.

"Companies must always be cultivating for great people. Approach recruitment like a sales process and fill the top of the pipeline with people who might be game changers."

Kathleen Quinn Votaw,
CEO of TalenTrust, a firm focused on helping companies attract, retain and engage top talent





2. The size and structure of an organization have a significant impact on how talent planning is conducted.

Large middle-market companies prioritize different talent-planning issues than smaller middle-market companies. The former are more concerned with aligning talent and business strategy, while the latter focus on identifying and retaining the “can’t-lose” players.

What can account for this difference? Stewart points out that as a company grows, talent management undergoes a maturation process. In other words, **there’s a maturity model that applies to human resources.**

“In smaller companies, the job responsibilities of each person tend to be broader and more flexible,” Stewart says. “So they use a ‘best-athlete strategy’ as far as talent is concerned.”

But that decision-making process changes when the company gets bigger. “Rather than just pick the best athletes, you tend to think about how you manage talent, how you identify potential, and how you move people up in their departments,” he says.

TALENT PLANNING PROCESS				
	TOTAL	\$10M ≤ \$50M	\$50M ≤ \$100M	\$100M ≤ \$1B
Highly formalized with written rules & guidelines	22%	17%	22%	27%
Somewhat formalized with some aspects of process documented	52%	52%	58%	48%
Mostly informal with few if any aspects documented	26%	31%	20%	25%

Source: Survey of 400 C-level middle market executives by the National Center for the Middle Market, in partnership with Vistage Worldwide

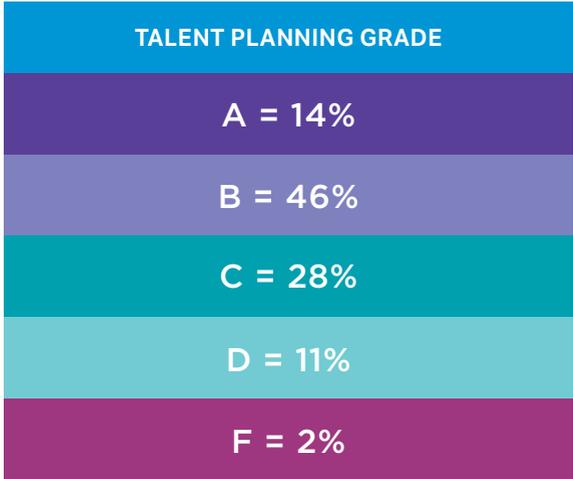
3. There is room for improvement in the talent-planning process.

Four in 10 companies grade their talent-planning effectiveness “C” or lower, according to the study.

That doesn’t come as a big surprise to Taylor. Very few CEOs that he works with think about one aspect of talent planning in particular: succession planning. “The challenge that CEOs face is the amount of money and time that this process takes. As you’re growing, the question is: ‘Where do I spend my money? Am I going to really get a return on investment by hiring a vice president of marketing, or should I just outsource it?’ There is just so much uncertainty.”

Quinn Votaw agrees. “We are at a dangerous place with succession planning,” she cautions. “Three out of four people today are open to or actively seeking another position. Companies are focused on the positions that they have open, which is great. But what about the rest of it?”

Among the most common weaknesses, according to the NCMM researchers, were **succession planning, identifying skills gaps, and having processes in place for identifying and developing high-potential employees.**



The survey showed room for improvement in the talent-planning space, with more than 40% of middle market organizations giving themselves a grade of “C” or lower for their talent-planning efforts.

4. The single most important thing companies lack is a systematic framework for talent planning.

The study found that talent-planning performance is closely connected to two variables:

- the formalization of talent-planning processes and
- the number of talent-planning activities implemented.

What's more, **only 22 percent of middle-market firms reported having a formalized process for talent planning.**

Why do companies need to have a systematic framework? "The value of a framework is that it allows you to see all the elements of talent planning, not just the ones you know about," explains Stewart. "It gives you a way to think about the things that you are not doing or that you're not doing as well as other things. A framework helps you to set priorities and say, 'All right, now I have a picture of the landscape, and with that picture, I can navigate better.'"



“The value of a framework is that it allows you to see all the elements of talent planning, not just the ones you know about.”

—Thomas A. Stewart
Executive Director, NCMC



5. Successful talent planning involves four core elements.

According to NCMM researchers, companies need four elements to build an effective talent-planning framework, or “ABLE Framework”:

- **A**lign talent strategy with corporate strategy.
- **B**uild sufficient processes to ensure systematic talent-planning efforts.
- **L**ead by example and involve leadership in the process.
- **E**ngage employees in talent planning and ensure that they recognize the value of the process.

You need all four elements, as opposed to just two or three. “If you pull any one out, the table falls over,” says Stewart. “Let’s say you have great talent-planning processes, your leadership is deeply engaged in them, and your employees think they’re great—but they have nothing to do with your strategy. You’d be optimizing a buggy-whip workforce.”

Involving leadership in the talent-planning process may be one of the biggest challenges for companies, adds Taylor. “It’s a dance,” he says. “Certainly, the CEO needs to be involved in the hiring of anyone at the executive level, but it’s a balance between how much time do you spend with hiring versus how much do you delegate.”



The ultimate responsibility for talent planning rests with the HR director in about half of middle-market companies, according to the study. In three out of 10 mid sized companies, C-level executives lead the talent-planning process.



6. Succession planning, programs for high-potential employees, and identification of skills gaps are critical areas for improvement.

Companies that want to increase their talent-planning success should focus on three key areas: Succession planning, programs for high-potential employees, and identification of skills gaps.

Middle-market companies, in particular, often struggle to complete these activities because they're so busy dealing with daily business demands. **"You're so busy working in the business that you don't spend enough time working on the business,"** Stewart says. Also, most companies "don't have a lot of extra resources lying around to put on special projects."

If your company doesn't have the budget for a formal management training program, then the onus falls on individual leaders to address employees' skills gaps, says Taylor. "Figure out a learning plan that's going to help employees get better at a particular skill, meet with them on a regular basis to assess their performance, and see that they're improving," he advises.



Tip: Treat people as your most important asset.

"We say that people are our most important asset, but we don't treat them as our most important asset," says Quinn Votaw. One way to shift this behavior: Be purposeful about developing recognition plans and reward plans for your employees, she recommends.



Next steps

Expert advice on making better decisions about talent planning

The bottom line: To accelerate the growth and performance of your company, you need to have a solid talent-planning process in place. Thomas Stewart and Larry Inks offer this guidance on how to get there.

Identify your high-potential people.

A lot of companies confuse top-performing employees with high-potential employees, but they're not necessarily the same, says Inks. This distinction is especially important when you're developing succession plans, identifying skills gaps, and managing retention risks.

Assess and build your bench strength.

Who are your critical players, and what key decisions do they make? Understanding this is key to establishing your bench strength—that is, making sure that you have a steady stream of people who are ready to take over for a critical player if/when the need arises.

Don't just pay lip service to performance management; commit to it.

A lot of companies say that they do performance management, but not all of them give it the attention it deserves. Make sure that it's fundamental to your business model, advises Inks. Pay as much

attention to it as you do financial planning. Discuss it as part of your quarterly business review. Ensure that the senior leadership team is as committed to the process as you are.

Take stock of your human capital.

To use your human capital more strategically, have an in-depth understanding of who's on your team and what capabilities they have. Not only will this make you more effective at team development, but it will enable you to make smarter decisions about how you channel resources and conduct strategic planning.

Use the ABLE Framework.

Schedule a meeting with your executive team and distribute the ABLE Framework featured in the **NCMM whitepaper**. Then, have a candid discussion about the framework in the context of your company. Figure out what you need to start working on—whether that's talent mapping, creating new processes, or identifying high-potential players—and establish a game plan.

Get the whitepaper

Download the whitepaper "Mastering Talent Planning: A Framework for Success" (<http://bit.ly/ncmmtalentwp>) for more insights about the talent-planning process and the ABLE Framework.



Contributors



Thomas A. Stewart

Executive Director, National Center for the Middle Market

Thomas A. Stewart is the Executive Director of the National Center for the Middle Market, based at The Ohio State University. Previously, he served as Chief Marketing and Knowledge Officer for Booz & Company (now Strategy&) and was the Editor and Managing Director of *Harvard Business Review*. His book *Woo, Wow, and Win: Service Design, Strategy, and the Art of Customer Delight* (co-authored by Patricia O'Connell) has just been published.



Larry Inks

Clinical Associate Professor of Management and Human Resources, Fisher College of Business, The Ohio State University

Larry Inks, Ph.D., is actively involved in executive education programs and initiatives offered through the Fisher College of Business as well as consulting for external organizations. Most recently, Dr. Inks was Vice President of Organization and Leadership Development for Cardinal Health. Inks also worked with AlliedSignal as head of Organization and Leadership Development for their Polymers business.



Mark Taylor

Vistage Master Chair and speaker

Mark Taylor, a former Vistage member of 11 years, is a Vistage Chair of five groups, keynote speaker, Tribal Leadership trainer, organizational consultant, author, and results-oriented executive with 35 years in CEO and corporate executive roles. He delivers training and retreats for organizations that want to change their culture to create high-performance organizations. He is the author of *The Leadership Field Manual: Exercises & Tools for Executing Culture Change*.



Kathleen Quinn Votaw

CEO, TalenTrust

After nearly two decades in the industry, Kathleen Quinn Votaw vowed to disrupt the status quo by revolutionizing how companies find, keep and grow great people. Her solution, TalenTrust, has achieved 300% revenue growth over the past three years and was named to the 2015 and 2016 Inc. 5000 lists. Kathleen is the author of *Solve the People Puzzle*.

Vistage Worldwide, Inc.

11452 El Camino Real, Ste. 400
San Diego, California 92130

Ph 800.274.2367

Intl +1.858.523.6800

Fax 858.523.6802



vistage.com



VISTAGE

About Vistage Worldwide

Vistage Worldwide is an organization designed exclusively for high-integrity CEOs and executive leaders who are looking to drive better decisions and better results for their companies. Our members—21,000 strong in more than 16 countries—gather in trusted, confidential peer advisory groups where they tackle their toughest challenges and biggest opportunities. Leveraging the Vistage platform, our members have demonstrated the ability to refine their instincts, improve their judgment, expand their perspectives, and optimize decision making. CEOs who joined Vistage grew their companies at three times the rate of the average U.S. company, according to a 2015 Dun & Bradstreet study. Learn more at vistage.com.

About the National Center for the Middle Market

The National Center for the Middle Market is a collaboration between The Ohio State University's Fisher College of Business, SunTrust Banks Inc., Grant Thornton LLP, and Cisco Systems. It exists for a single purpose: to ensure that the vitality and robustness of middle-market companies are fully realized as fundamental to our nation's economic outlook and prosperity. The Center is the leading source of knowledge, leadership, and innovative research on the middle-market economy, providing critical data analysis, insights, and perspectives for companies, policymakers, and other key stakeholders to help accelerate growth, increase competitiveness, and create jobs in this sector. To learn more, visit www.middlemarketcenter.org.

Vistage Worldwide, Inc.

11452 El Camino Real, Ste. 400
San Diego, California 92130

Ph 800.274.2367

Intl +1.858.523.6800

Fax 858.523.6802

