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## **Boards Need to Pay Heed to Talent Management Too**

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Most companies say people are their most important asset. But I've seen that few boards have human capital development as a regular item on their agendas.

Typically, the board (and, often, only the remuneration committee) receives tabular summaries of personnel data such as total headcount, cost per head count, training hours and staff turnover. The only time the board might touch on talent and career management is when an executive director resigns, and when the time for annual increments and bonuses rolls around.

As it is, companies in Asia, including Singapore, are facing a scarcity of leadership talent. According to a *Right Management 2014* survey, only 11 per cent of companies have been successful in identifying and developing leadership talent. Part of this is due to challenges in the business environment and organisations focusing on delivering short-term goals, thus postponing or ignoring the need to examine the long-term "talent pipeline".

### **Developing a talent pipeline**

Sustainable businesses rely on ensuring continuity in developing talent for leadership roles. Such leaders are groomed to be adaptable and agile enough to execute strategies that may require constant revision in rapidly changing landscapes.

The high cost of recruiting an external hire and the time required for that hire to demonstrate performance effectiveness have convinced many organisations to groom leaders internally.

Many organisations manage talent by identifying high performers and those with high potential. Tailored programmes are then developed for this "talent pool". Some organisations adopt a more inclusive view. They consider all their employees as "talent" and find ways to develop their strengths and address their weaknesses. Other organisations use both approaches with a special focus on the high performers and high-potential employees, while the rest are managed as a separate talent group.

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The focus of talent management should not only be in identifying, recruiting and developing talent but, importantly, also to engage and motivate these talents to stay and contribute in both the short and long term.

High employee turnover – or talent mismanagement – will cost the organisation more than just money. A lack of suitable talent will affect the organisation's corporate objectives. In its 2012 survey, *Talent Pipeline Draining Growth*, the American Institute of Certified Public Accountants and the Chartered Institute of Management Accountants reported that 43 per cent of firms failed to achieve financial targets as a result of talent mismanagement. A similar percentage reported that ineffective talent management had reduced their companies' ability to innovate.

Progressive companies buck this trend. For example, Keppel Corporation, the overall winner of this year's Best Managed Board Award (in the Large Cap category), recognises the need to constantly develop and cultivate its talent pool. The Keppel Leadership Institute was set up to develop future generations of Keppel leaders. The company has a holistic and systematic approach to talent management and succession planning. The success of its framework and efforts is reflected in the smooth transition of the chief executive at Keppel Corporation and Keppel Offshore & Marine in early 2014.

**Board leadership**

As talent is a critical element of corporate performance, boards should give talent management the same level of priority as strategy and risk management.

The vast majority of boards have historically spent too much time just on compensation, performance and CEO succession. More enlightened boards have gone beyond the CEO and discussed talent a level or two below the CEO. Yet, this is still not enough.

The board should ensure a holistic framework is established to manage talent, including increasing accountability for talent development as part of the CEO's and management's overall performance scorecard. The metrics could cover the building of the talent pool with specific skills being classified and recognised, and those with high potential being put on a specific development path, with their training and development needs identified.

An established framework allows the board to be confident that whatever is tabled for board discussion and approval has gone through a robust process. While employee engagement goes beyond talent management, it does provide insights into the level of commitment by staff to the organisation. Their views on management, career development and opportunities will allow the board to guide management in a more structured way.

A holistic view of skill sets is important. While technical skills are important, the more critical skills for senior management are of leadership, emotional intelligence, adaptability and passion for the business. Each generation of employees requires a different communication approach from its leaders.

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Board evaluation of technical competencies is seldom an issue, but evaluating soft skills, emotional intelligence and business acumen is quite another matter. Despite tools available for assessing such traits, nothing beats knowing the key internal talents personally.

Board members must take a proactive approach in engaging these talents. Formal meetings and presentations, social events, or even a round of golf, can provide revealing and valuable assessments.

The war for talent continues unabated, and the board, in discharging its duties, needs to ensure that the organisation is prepared for the battle.

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<http://www.btinvest.com.sg/specials/boardroom/talent-management-and-the-board/>