80/20 Linking Talent to Value is Really 95/5

by Joe Hunt

Most businesses think they have their best people in their most critical roles – but far too often that simply not the case.

"5% of roles in an organization create 95% of the value." ~ Joe Hunt

Many organizations end up losing effectiveness by failing to put the right people in the right roles. Often, they focus too much on building a strong hierarchy, with the mindset that the best people are the top two layers. Likewise, they achieve broad strokes alignment (i.e. thinking: "We need to up our game in marketing, so let's get someone talented in there"). They also fill key roles as best as possible with available talent, for example, putting IT or HR under Finance, because they thought the department head could handle it, and there wasn't a more suitable leader to run it at the time.

Our Leader*Shift* Architect breaks with the conventional thinking and employs a smarter strategy to the old hierarchical management trope – one that demonstrates 5 percent of roles in an organization create 95 percent of the value.

Winning companies identify such roles, find the right talent to fill them, and invest to develop these employees.

Leader*Shift* success requires leaders do four things:

1. Understand how to create value: To make strategic choices that deliver shareholder value, you must identify clearly the sources of current and future value. The best way to optimize your best talent to deliver on your strategy is by being clear on how your business creates value.
2. Identify the most important roles: Organizations typically keep track of critical talent. But there are two potential pitfalls: Employers define critical roles in terms of hierarchy and make the mistake of regarding roles and talent as interchangeable. What you really want to do is identify the roles that have a disproportionate impact on value capture. They could include value creators, enablers or protectors.
3. Get the right talent into the right roles: Organizations struggle to make unbiased, quick talent decisions when they lack sufficient data to make a case to place employees in certain positions. To avoid this, employers must assess the fit of talent against the specific needs of each role in terms of knowledge, skills, attributes and experience required; identify the biggest gaps; and craft a strategy to address the gaps (e.g. recruit or develop capabilities, build the succession pipeline and rotate talent).
4. Manage performance and develop talent in real time: The business eco-system changes daily and the days of once-a-year HR exercises to review talent and evaluate employee performance are over. Employers need to manage performance and develop talent in critical roles on a real-time basis. This involves making changes to the ongoing talent and business planning processes to ensure that a sustainable pipeline of talent is available to fill key roles over time. As strategies shift, critical roles should be revisited and reassessed with agility.

While this process seems obvious, few companies do this systematically. A McKinsey case study with a large consumer goods company applied the LeaderShift Architect methods and were surprised to find that, of its tens of thousands of employees, it could identify 53 individual positions on which the lion's share of value creation rested. By matching talent to value in the context of its strategy, the company saw a twofold increase in share price, 50% reduction in the number of employees and $3.7B of value unleashed.

Having highly talented people isn't enough. The talent must be put in the right roles if your organization is to hit its goals and become a champion and market leader in value creation.

Leader*Shift*: Focus on the 5%

Recruitment is one of the most difficult things a company does, but doing it well pays off in spades. Consider that in highly complex jobs—those that are information and interaction intensive, such as managers, software developers and project managers—high performers are an astounding 800 percent more productive than average performers.

Winning the war for talent is the ultimate competitive advantage. ~ *Joe Hunt*

The competition for recruiting and retaining top talent will continue to intensify more and more every year. According to a McKinsey Global Institute study, employers in North America and Europe will require more than 11 percent more college-educated workers than will be available in 2021. Developing economies will face a shortfall of 45 million workers with a secondary-school education and vocational training.

How to succeed in such a competitive recruitment landscape? In short: create a strong and distinctive employee value proposition that authentically represents workplace reality. Creating false expectations can lead to negative reviews on JobAdvisor and Glassdoor. Bad press is not good by any measure in the talent realm.

To avoid this, companies should focus their efforts on the 5 percent of roles that create 95 percent of the value. It is not the most comfortable concept for leaders to grasp. Yet, in virtually every case where McKinsey started with the business strategy and identified its value drivers, they identified no more than a handful of roles on which success or failure truly depends.

At Amazon, a logistics routing engineer's slightest adjustment can impact costs and delivery times dramatically – to the tune of hundreds of millions of dollars. At Walmart, the choices that omni-channel merchants make can determine whether the company's bricks-and-mortar presence is a competitive advantage or albatross.

When Steve Jobs died in 2011, I recall questioning how Apple would perform without its iconic visionary leader. Others noted the incredible talent the company attracted under his leadership. Jobs himself often urged, "Go after the cream of the cream… A small team of A+ players can run circles around a giant team of B and C players."

With Apple's share price steadily rising since then, it appears that he was right. Successful companies recognize that getting the right talent in the right place can make or break their overall performance.

Once the 5 percent of roles that create 95 percent of the value are identified, the question becomes whether your most talented people are in these roles. We rarely find that the best leaders in the company are methodically deployed as such. Further, keeping the right talent in these roles typically requires significant

adjustments to job design (removing administrative burdens), career paths (rapid advancement opportunities and special projects), compensation (above market), location (high flexibility), development (high touch beyond formal programs and the formal performance management process), leadership exposure and influence (more, sooner) and the like.

For most companies, even the fastest growing and well-known companies, attracting and retaining top talent is a constant challenge. Chief executives participating in the Conference Board's annual survey of global CEOs cited "failure to attract and retain top talent" as their #1 issue – ahead of issues related to economic growth and competitive intensity.

Ultimately, smart adjustments deliver a distinctive and tailored value proposition *specific* to each of the highest value-creating roles and building on the general one that applies to all talent in the company.

GET HELP

Hunt Executive Leader*Shift* Pipeline (HELP) was developed to deploy our Leader*Shift* Architect tools and best practices to dynamic middle market PE portfolio companies, due to frequently new management teams, cultural changes, and the need to pivot and adapt to fast changing levers critical in the value creation plan.

It turns out, the principles apply just as much to multi-national public companies as it does start up's and middle market companies. Delayered and zero-based-budgeting (ZBB) are not even buzzwords anymore. Every organization has to do more with less, and high-performance expectation requires next level Leader*Shift* teams and "A" players in every critical role, but especially in the 5% that create 95% of the value.

Visit www.Leader*Shift*.com for more information about the Leader*Shift* Architect insights, tools, and processes.

Leader*Shift* Assessments - Leader*Shift* Job Modeling - Leader*Shift* Interview - Leader*Shift* Scorecard

About the Hunt Group

The Hunt Group is the leading human capital and private equity advisory specializing in consumer goods & services, diversified industrial and related professional services markets. We apply our market mastery and expansive executive network to the human capital realm, working with multi-nationals, PE, private, and family-owned companies. We partner with investors throughout the deal cycle to help them Invest in, Grow and Exit their portfolio companies by appointing senior operating executives (CEOs and Direct Reports), Chairs and Outside Directors with Private Equity DNA. Our industry and functional vertical connections and engagement guarantees we're in the know, have broad insight and full access to the best talent in the marketplace. Our mission is to create and exponentially grow accretive value for all client stakeholders.

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