

# CHRO Quarterly

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A Magazine for Chief Human Resources Officers  
and Their Teams

## Taking Smarter Talent Risks

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# Driving Employee Resource Groups from Awareness to Impact

ERGs are central to diversity & inclusion (D&I) strategies.



80% of companies have ERGs.

## Awareness

Today, these groups raise diversity awareness by:



Connecting diverse groups



Educating workers



But heads of D&I expect more from their investments.



## Current Investments



Average ERG participant dedication: 8+ hours per month

Average amount of D&I budget spent on ERGs: 20%



In the future, they want to drive business impact by:

### Using ERGs to Improve Leadership Pipeline Diversity

- ✓ Build experience-based career maps to traditionally non-diverse critical positions.
- ✓ Coach diverse employees to communicate their internal brand.
- ✓ Participate in difference-based mentoring with executives.



Impact

Diverse talent pools make leadership benches **30%** stronger.

### Using ERGs to Recruit Diverse Employees

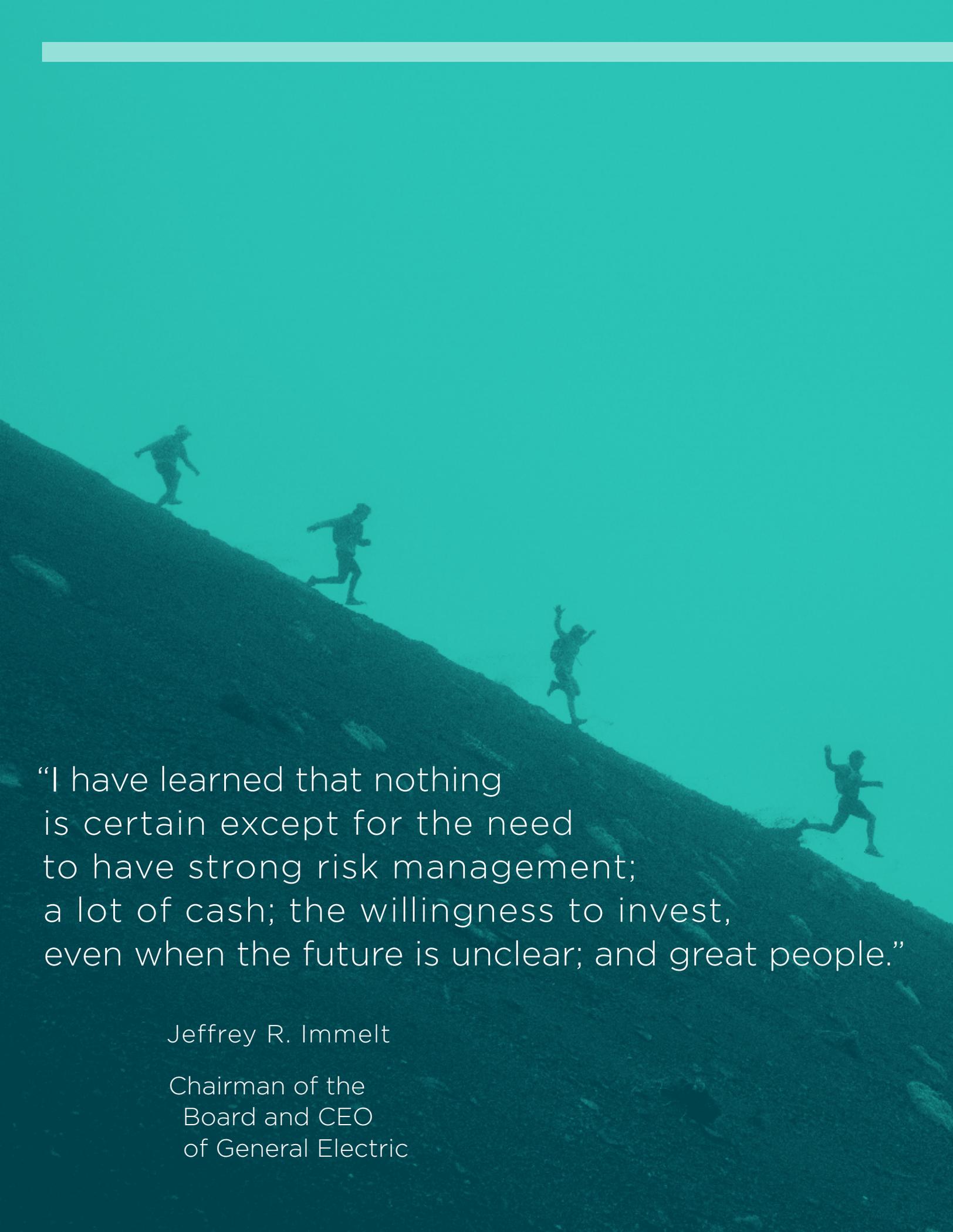
- ✓ Become brand ambassadors and referral advocates.
- ✓ Join recruiters at campus recruiting events.
- ✓ Contact diverse job candidates.



Impact

**90%** of diverse candidates trust personal sources of information.

Visit the CEB Diversity & Inclusion Leadership Council website for more information.

A teal-tinted photograph showing the silhouettes of four runners ascending a steep, rocky hill. The runners are positioned at different points along the slope, moving from left to right. The background is a solid teal color, and the overall mood is one of perseverance and challenge.

“I have learned that nothing is certain except for the need to have strong risk management; a lot of cash; the willingness to invest, even when the future is unclear; and great people.”

Jeffrey R. Immelt

Chairman of the  
Board and CEO  
of General Electric

# Taking Smarter Talent Risks

By **Brian Kropp and Matt Dudek**

Managing talent means managing risk. Important talent decisions, such as appointing a leader of a new business unit, require balancing the risks to individual careers, short-term business unit goals, and long-term enterprise growth. Getting leaders to agree on necessary but controversial talent decisions even poses personal risk for HR executives. “You’ve got to be prepared to put your badge on the table and literally put your career on the table,” as one CHRO told us. In today’s environment, where the number and size of organizational changes has swung upward, these risks are more significant but also harder to anticipate.

This quarter we look at key talent issues with particularly large or hidden risks, beginning with eliminating performance ratings on p. 14. Twenty percent of organizations have eliminated ratings. Their initial calculations showed little downside to simplifying a process many employees dislike and much to be gained from positive employee engagement and brand association. However, these companies face significantly bigger risks than they expected, which is why this decision is backfiring for most. Learn what you can do to avoid or recover from the negative impact of eliminating ratings.

Similarly, leaders need to evolve their high-potential strategies to better seize talent opportunities and minimize risks to deliver better leaders sooner (see p. 8). As organizations become flatter and as the profile of the high performer evolves rapidly, organizations need to adopt a more flexible approach to building future stars who will outperform in a variety of roles and contexts. This need makes managing high-potential employees (HIPOs) more complicated, triggering questions such as “How do we increase HIPOs’ willingness to take on risky roles without diminishing accountability for outcomes?”

Join your peers to discuss this and other questions at our first meeting on this topic in New York on 23 August (p. 34). We’ll examine the hidden risks of conventional HIPO strategies and how to adapt these approaches to address rapidly changing needs of both the organization and its most promising employees.

Finally, the Group HR Director of Rolls-Royce, plc, Mary Humiston, shares her approach to taking smart talent risks. With new CEO Warren East at the helm, Ms. Humiston is leading the firm through its transformation (p. 18).

Taking risks is an inescapable fact of life, especially for HR executives, but by learning from one another through these stories, you can improve your probability of success.

CEB's take on  
what others  
are writing  
about talent

# In the News

By **Adam Brinegar**

## How to Think About Talent and the Next Recession

Will there be a recession in the United States this year? Nobody knows for sure. As Ruchir Sharma [noted](#) recently in the *Financial Times*,<sup>1</sup> both economists and the stock market have a notoriously bad track record when it comes to predicting recessions, and both sides of the debate have good arguments.

But at some point, another recession will happen—maybe this year, maybe not. So in terms of talent management, how should organizations prepare for the next recession?

The first thing to realize is that the talent environment in 2016 is completely different than in the last recession of 2008–2009. In 2008, organizations had too many layers. The recession was severe and required mass layoffs. The best organizations responded by shifting the bell curve of employee performance at their organizations sharply to the right.

Our advice at the time was to protect high-potential employees, aggressively manage out low performers and the disengaged, and get more out of teams. Those who followed this advice emerged from the recession with a strong, high-performing, and engaged workforce—a much better workforce, truth be told, than they had going in.

In 2016, on the other hand, organizations are lean (especially so far into an economic expansion); employees have been in role 30% longer, globally, than just a few years ago; employees' skills are rapidly eroding in the face of market change; and workers are

struggling in new, complex, and interconnected organizations. If a recession comes this year, we are unlikely to see the kind of mass layoffs we had in 2008 because we are not on the verge of a financial crisis, and a lot of organizations couldn't survive that level of downsizing.

Given this reality, the best organizations will prosper in the next recession by repositioning their workforce for growth rather than shifting the talent distribution.

Here's a list of six steps organizations will likely need to take to remain competitive in the next recession:

- Target layoffs at wrongly skilled employees.
- Differentiate compensation aggressively for the most valued skills.
- Focus recruiting on scarce skills.
- Preserve budgets for in-demand skills development that cannot be easily purchased on the labor market.
- Ruthlessly promote internal mobility to maximize talent's value and development by hyper-focusing on alignment between business needs and employee skills.
- Accelerate “one company” initiatives to preserve margins and push innovation.

<sup>1</sup> Ruchir Sharma, “Recession Ahead. Who Is Best at Forecasting?,” *Financial Times*, 29 February 2016, [www.ft.com](http://www.ft.com).



## Book Review: Can All Bosses Be “Superbosses”?

Is there a single best model of effective leadership, or does the right model vary by situation? And accordingly, should leaders carry around a dog-eared copy of one book on leadership, or do you need a shelf of them? I’ve been doing research and giving presentations on leadership for almost 10 years, and despite that (or maybe because of it), I’m often debating with my team these two possibly unanswerable questions.

Sydney Finkelstein’s exuberant new book *Superbosses* brings me back to those questions. The book’s most notable finding is that superbosses export rather than hoard talent. I would expect this of talent spawners; it’s part of who they are. Exporting talent, however, isn’t necessarily a helpful leadership quality if, for instance, your job is to turn around a business unit.

That said—getting back to the debate about whether there is a single leadership model—I’ve found exporting talent to be a key leadership activity in my own data-based work with thousands of leaders, regardless of the leadership outcome I am using or the leader’s level within the organization. Leaders should get rid of talent, and often.

Yes, I know that sounds weird.

At a practical level, you can export talent well only if you can import talent well. It can seem rational for mediocre bosses to hoard talent. They got lucky with their talent. They know it. And they want to hoard them.

One important thing Finkelstein’s *Superbosses* achieves is uncovering why exporting talent might be in everyone’s interest. He underscores this argument with three main points:

- Great flow means a constant source of new ideas and fresh perspectives. Given the increasing rate of change, flow becomes even more important.
- You enter into deeper relationships if you keep the door open. Although this practice is counterintuitive, we’ve found that if you make employees more employable, they want to stay with you. Not only that, but they are also happier to stay and more likely to change and challenge you.
- The world is networked: your erstwhile talent might become your business partners. They’ll at least be great brand ambassadors for you, which will help you attract talent.

The bottom line message for managers is this: Yes, becoming a talent magnet is hard, but if you don’t do it, there’s only so much you can achieve as a leader. For those hoarding talent, the best way to start to change is just to let your best people go and be successful—that will encourage good talent to seek you out, assuming they leave on good terms and are singing your praises. In this case, what goes around really does come around.

Beyond that, Finkelstein’s methods confirm many things we already know. Engagement is not all about the money. Recruitment is key, and you need to look for fit. You need teams to collaborate and compete.

But he also adds some new thoughts to the mix. First, he presents the paradox of managers being both innovative (having a vision) and open (letting others fill the vision). Finkelstein uses George Lucas as an example of this quality, pointing to how he gave *Star Wars* sound engineer Ben Burtt a general sense of the sounds he thought R2D2 should make, then gave Burtt the room to figure out exactly what those sounds would be. The result was, of course, iconic.

Second, Finkelstein’s return of the apprentice model is interesting, especially because of whom he is profiling. Most leaders say they simply don’t have time to be mentors, but if Oracle founder Larry Ellison or former Kraft CEO Michael Miles can spend enormous amounts of time with their people, anyone can, as long as that person thinks it’s important.

The book’s weakness, which Finkelstein readily acknowledges, is that the superbosses he highlights mostly conform to a single demographic and personality profile. Almost everyone he profiles is a white male who tends to push his team extremely hard while simultaneously building deep reservoirs of affection. As the demographics of business leaders become more inclusive, we will see more successful leaders who don’t fit the profile of Finkelstein’s superboss.

**Becoming a talent magnet is hard, but if you don’t do it, there’s only so much you can achieve.**



**Only 20% of  
CHROs believe  
their HIPO  
strategy is  
successful.**

# Building a HIPO Strategy for Uncertain Leadership Needs

By **Daniel Metz**

The typical organization's high-potential (HIPO) strategy is a failure. Most organizations report that despite their best efforts, they are not developing strong leadership pipelines and ultimately fail to produce the leaders they need from inside the organization. It's no surprise then that only 20% of CHROs believe their HIPO strategy is successful.

The problem stems from taking a bottom-up approach to HIPO management that focuses on identifying a small number of highly flexible individuals who can adapt to any future scenario. The exclusivity that has been the hallmark of this bottom-up approach is partly to blame for its downfall. Pipelines run dry because too few employees meet the increasingly stringent criteria organizations are placing on HIPO candidates. Many HIPO employees leave the organization, and those who do stay don't do well in the leadership roles that open up.

Attrition is a huge problem for organizations seeking to develop future leaders through their HIPO strategy. When HIPO employees look "upward," they often don't see the opportunities they're looking for. Three-quarters

of employees whom organizations identify as succession candidates are pessimistic about internal opportunities for career progression. Many HIPO employees are actively job hunting, and more than half can be expected to turn over in any given five-year period.

But HIPO attrition isn't the only problem. Even when organizations succeed at keeping HIPO talent from leaving, those who remain often aren't set up to succeed in the new leadership roles, forcing organizations to look externally or focus additional resources on further developing those leaders.

Instead of relying on highly flexible individuals to meet uncertain future needs, organizations should create a more flexible HIPO strategy generally, starting with a dynamic, evolving focus on the organization's needs and how those needs translate into HIPO identification and development. This new approach gives organizations the flexibility to evolve their HIPO pool as anticipated needs change and to manage a portfolio of skills that the organization can draw from to meet new leadership requirements as they emerge.

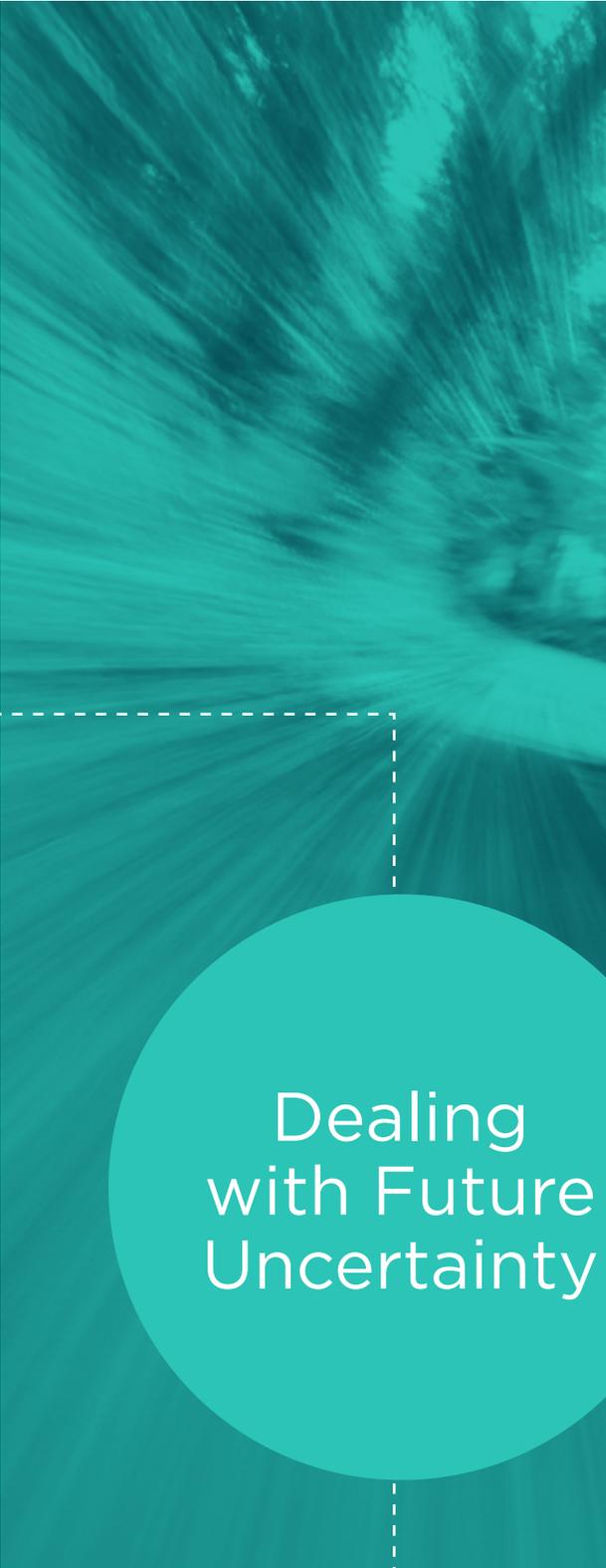


## The Current Approach

Today, too many organizations neglect critical aspects of their HIPO strategy because they overfocus on identifying an elite group of highly flexible candidates for their HIPO pools. Identifying the characteristics that will serve today's employees well in tomorrow's leadership roles is not easy. It's particularly difficult when organizations focus on traits that are hard to find or develop, and when that emphasis crowds out the ability to assess other important characteristics.

Focusing on identifying an elite group of HIPOs with specific characteristics predicted to create leaders in the far future is a losing strategy for three main reasons:

- By definition, it immediately and substantially limits the pool of candidates.
- The long lead time before the transition into a destination role means attrition will take its toll on the group, leaving few good people remaining.
- The leadership profiles organizations will need far into the future are difficult to predict today.



## Dealing with Future Uncertainty

The rapidly increasing pace of change, including leadership needs that change often in unanticipated or unpredictable ways, exacerbates these challenges. One-third of senior leaders are in roles that didn't exist before they assumed them. Imagine what an impossible task it would have been for their employers to handpick those individuals 10 or 15 years earlier based on traits they'd predicted would be needed now and funnel them through just the right experiences and development opportunities.

Organizations aren't blind to this challenge. HR leaders are fully aware that tomorrow's leaders don't necessarily look like today's leaders; they only have to look back on how leadership profiles have changed in the very recent past to know that the skills and capabilities they will need in the future are evolving rapidly.

In responding to this challenge, most organizations do a very logical thing—they seek to reduce risk by broadening the set of skills they look for in HIPO candidates and by focusing on characteristics they believe will serve HIPOs well in a variety of future situations. Often, organizations will build their HIPO assessment models around traits such as agility and adaptability and abilities such as handling ambiguity, learning new skills, and being able to get engaged by new challenges.

But this approach comes with its own set of problems. When organizations focus their attention on finding the perfect, most adaptable HIPO candidates, they realize there are very few of them out there to be found. Even consulting companies best known for relying on measures of adaptability in their assessment models admit there are very few of these individuals to be found in nature.

Even if organizations can identify these “purple unicorns,” the problem of attrition remains. They are hard to keep, and organizations are stacking the deck against themselves anyway by relying on small numbers of elite candidates entering their HIPO pipelines.

There's also the question of whether this approach produces the right leaders. A strong emphasis on personal characteristics can reinforce an individualistic mind-set (i.e., “I will succeed because I am exceptional”), when successful leaders today require a network mind-set (i.e., “I need to work effectively with others in order to succeed”). In addition, a focus on adaptability may produce leaders with the breadth but not necessarily the depth they need to truly succeed; will they be good at many things but exceptional at none? And finally, the strategy of identifying a small, elite group obscures the importance of other factors in creating great future leaders—factors related to the organization's environment that support or amplify the impact of individual attributes and that in the end can make or break performance.

**A focus on adaptability may produce leaders with the breadth but not the depth they need to truly succeed.**



# A Better Path Forward

Organizations that have succeeded with their HIPO strategies tend to shift their attention from identifying highly flexible individuals to creating flexible processes for identifying and preparing future leaders. They look to make the overall supply of HIPO employees adaptable to changing needs rather than the individual HIPO employees within that pool.

These successful organizations tend to make three shifts:

## **1. Make HIPO identification criteria more responsive to changing organizational needs.**

Static HIPO models don't work in a world where leadership needs are evolving rapidly. The most successful organizations are flexible in how they develop and use their assessment criteria. They add criteria that become more important and (critically) shed old criteria that become less relevant. But they also draw from a variety of other sources, such as talent reviews, to continually assess needs as they evolve. Our research suggests that frank conversations with leaders about how the needs of their businesses are changing can result in real differences in the type of talent the organization will want to draw into its HIPO pipeline in the first place.

## **2. Evolve the HIPO development path over time.**

Organizations need to take a “build the ship while sailing” approach to HIPO development, part of which involves actively shaping HIPO employees' aspirations toward different types of trajectories. Managing an effective development process for HIPO employees requires an ongoing conversation between leaders, HR, and the individual to assess evolving development gaps and the steps required to close them. Organizations that embrace this strategy help HIPO employees see different career and development paths ahead of them and refocus the development conversation from promotion and upward movement to personal growth and contribution to the organization.

## **3. Think more flexibly about source and destination roles.**

Often, organizations think about destination roles for their HIPO strategy as a set number of positions at the top of their organizational hierarchy toward which they want to direct HIPO talent. They then source that talent some number of levels below those roles and manage the development path from source to destination.

But in a world where needs at the top are constantly changing, the most successful organizations are challenging the fixed notions of source and destination positions. As your needs evolve, reassess the roles that are considered critical, and refocus your HIPO sourcing strategy based on this reassessment. The direction between source and destination may become a lot less vertical, with the path HIPO employees travel becoming less about promotion up a hierarchy.

For example, new market opportunities at one organization increased the value of certain senior staff who possessed a specific technical skill. These roles weren't at the top of the organization's pyramid and normally wouldn't have been considered critical destination roles for the organization's HIPO strategy. But suddenly they were just that. And with that shift, the organization also needed to begin sourcing the talent who might one day fill these roles from very different parts of the organization.

## **Conclusion**

The rapid pace of change most organizations experience today has important implications for how they build their HIPO strategy. In particular, organizations have to figure out how to find the right people and develop them in the right ways when the leadership needs they are trying to satisfy are changing, often in unpredictable ways. Focusing efforts on identifying a small group of exceptional candidates who can succeed under any circumstance is nearly always futile. Organizations that build flexibility into the elements of their HIPO strategy, recalibrating their approaches to assessment, identification, and development as leadership needs evolve, have found success, even when the future is uncertain.

# Are You Building a Change-Capable Workforce?

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# The Real Impact of Eliminating Performance Ratings

Only 4% of HR leaders feel effective at accurately assessing employee performance, and a growing number of organizations are considering eliminating performance ratings. Although organizations are split on eliminating ratings, there are a handful, such as Cargill and Microsoft, which have removed ratings. Their aspiration is to implement an ongoing approach to performance management that emphasizes real-time feedback and regular conversations about employee performance and priorities. The media's focus on this practice has left HR executives wondering whether the risks of eliminating ratings are worth the reward.

**Less than 5% of managers are able to manage talent effectively without ratings.**

Leaders expect that removing ratings will result in higher employee performance driven by higher levels of employee engagement, higher-quality performance management conversations, more informal conversations, and more differentiated pay decisions. And, regardless of the status of ratings at any particular organization, HR executives are getting pressure from the top to respond to the purported positive impact removing ratings can have.

Taking action is a major challenge, however. Many organizations have made a lot of changes to improve performance management, making it hard to distinguish the unique impact of removing ratings. Also, no data is yet available on the real-world results of eliminating ratings. As a result, we surveyed approximately 10,000 employees in nearly 20 countries and varying industries. We isolated and analyzed the true impact ratings have on talent outcomes to provide answers to the following questions so organizations can make an informed decision on performance ratings:

- Will eliminating ratings help managers have more effective performance conversations with employees?
- Does eliminating ratings align with the organizational culture and strategy?
- Will eliminating ratings make it too hard to maintain a pay-for-performance system?
- Will eliminating ratings make it too difficult to evaluate and manage talent throughout the organization?

## Manager Time Spent on Performance Management Activities<sup>a</sup>

Average Hours (and Proportional Time Spent) on Performance Management per Year, per Direct Report



*n* = 9,686.

Source: CEB 2016 Pay for Performance Employee Survey.

<sup>a</sup> Formal performance management activities include goal setting, performance evaluation and calibration, documenting employee performance, and preparing for performance conversations. To calculate time spent on informal conversations per year, manager conversation sessions were estimated to last one hour.

Note: The reduction in time spent on performance management activities is statistically significant (*p* < 0.001).

### The Four Consequences of Eliminating Ratings

We found that despite initial positive reactions from managers and employees, removing ratings will ultimately negatively affect most organizations, as most managers are not equipped to manage performance without them. Without ratings, organizations experience the following consequences:

- **Less time spent on informal performance conversations**—In the absence of ratings, managers spend less time on formal performance management activities. But they do not shift that extra time toward ongoing, informal performance conversations. In fact, time spent on informal performance conversations drops, with managers spending only six hours per year per direct report without ratings, compared with seven hours with ratings.
- **Lower-quality performance conversations**—Employees report that manager conversation quality decreases by 14% when ratings are removed, leaving employees less clear on how they performed and contributed to organizational success and how to improve their performance. Without ratings, employees are less likely to get the guidance they need to become a higher-contributing employee.
- **Decreased employee perceptions of pay differentiation**—While many organizations report that actual pay differentiation increases when they removed ratings, employees believe

there is less differentiation because managers struggle to explain how pay decisions are made and linked to individual contributions. As a vice president of Total Rewards in the health care industry told us, “When we removed ratings, employees seem to stop believing we were differentiating pay at all. The rating seemed to symbolize to employees that pay for performance was occurring.”

- **Lower levels of employee engagement (particularly among high performers)**—With no performance rating, employees no longer have a key performance indicator that validates their work. So their engagement drops by 6% as they leave reviews unsatisfied and look for a more concrete marker of their performance. This effect is particularly salient for high performers who report being less satisfied with key engagement drivers: they are less clear on their role, less satisfied with career and development conversations, receive less praise and recognition, and do not believe that they are rewarded fairly for the work they do.

Because of these clear breakdowns in manager effectiveness and employee engagement in the absence of ratings, employee performance in turn decreases by as much as 10%. Although a handful of managers are more effective without ratings, most organizations will find it too difficult to get their managers to this level to make the change worth the significant investment required.

## The Impact of Removing Ratings

The Expectation	The Reality for Most	Decrease
Managers Will <b>Better</b> Engage Employees	Employees Are <b>Less</b> Engaged	<b>6%</b>
Time Spent on Informal Conversations Will <b>Increase</b>	Time Spent on Informal Conversations <b>Decreases</b>	<b>14%</b>
Quality of Manager Conversations Will <b>Improve</b>	Manager Conversation Quality <b>Declines</b>	<b>14%</b>
Managers Will <b>Better</b> Differentiate Pay	Perceptions of Pay Differentiation <b>Decrease</b>	<b>8%</b>

Source: CEB analysis.

### What to Do Instead: Focus on Other Changes Besides Removing Ratings

The small number of organizations that have removed ratings and been successful have done so because they have significantly improved their overall performance management strategies. Rather than focusing on the ratings debate, organizations should improve the performance management and reward practices at their organization using these three proven performance management strategies.

**1. Provide ongoing, not episodic, performance feedback.**

Increasing the frequency of informal performance conversations allows managers to provide more timely feedback to employees and to adjust expectations with employees based on organizational changes or past performance.

**12%** Impact on Employee Performance

**2. Focus performance reviews forward, not backward.**

Assessing and discussing future performance provides managers and employees with a more accurate understanding of their abilities to meet future business needs and how to improve those abilities.

**13%** Impact on Employee Performance

**3. Include peer, not just manager, feedback.**

Collecting feedback from peers who understand employees' work helps managers more effectively assess and discuss employee performance in an environment where employees must increasingly work with peers to be effective.

**14%** Impact on Employee Performance

Although senior stakeholders are pressuring heads of HR to consider eliminating ratings, this is not a smart risk to take. The probability of eliminating ratings paying off is low, while the risk of it backfiring is great. Instead, organizations should channel this new attention and interest into challenging their current performance management strategies. This approach may be less headline grabbing, but that's a benefit. Organizations are making headlines right now for eliminating ratings, and may soon be back in the news as their employees become disenchanted. Organizations with a great talent management brand make headlines because of the outcomes of their people, not the processes by which they are managed.

*n* = 23,339 (2012); 10,531 (2014).  
Source: CEB 2012 High Performance Survey;  
CEB 2014 Enterprise Contribution Workforce Survey.

# You're Invited

# ReimagineHR 2016

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Managing in a World of Constant Change

7-9 September, Miami

26-27 October, London

#### Keynote Speakers

**Stan McChrystal**, retired four-star general and author of *Team of Teams*

**Sir Ranulph Fiennes**, described by *The Guinness Book of Records* as "the world's greatest living explorer"

**Claudio Fernández-Aráoz**, Argentinian author and global expert on talent and leadership

**Valerie Plame**, former career covert CIA operations officer and best-selling author

**Herminia Ibarra**, expert on professional and leadership development at INSEAD

**Rob Cross**, a professor of organizational behavior at University of Virginia

Join us for our annual event that brings together hundreds of senior executives across HR, presenting a unique opportunity to engage in discussions with peers on critical topics.

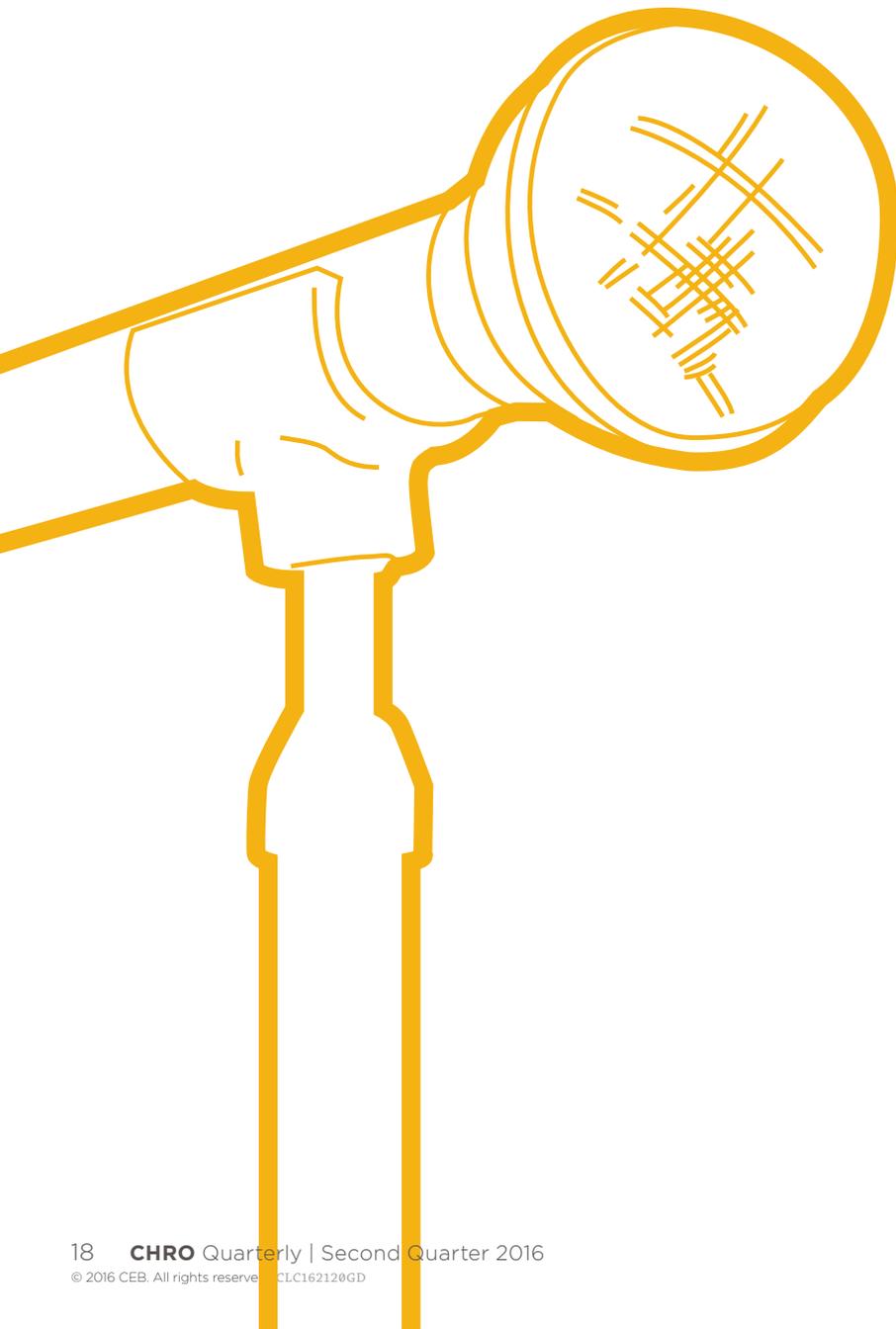
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# Voice of the CHRO

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By **Matt Dudek**



Every quarter we interview chief HR executives to gain their perspectives on issues facing the HR function. This quarter we spoke with Mary Humiston about Rolls-Royce's transformation journey and taking smart talent risks.



## About Rolls-Royce plc and Mary Humiston

Rolls-Royce is a global company providing highly efficient integrated power and propulsion solutions. It is one of the world's leading producers of aero engines for large civil aircraft and corporate jets. Mary Humiston is group director of HR for Rolls-Royce plc, where she is responsible for the company's more than 50,000 employees. She has held a variety of senior positions in HR in a number of companies and sectors.

**Thank you for speaking with us. One of the issues that we constantly hear regarding talent conversations is that you have to manage the risk—and oftentimes competing priorities—of talent decisions for individuals, business units, and the enterprise. How do you get all three right?**

**MARY:** I usually like to start at an enterprise level and work from there. What's best for the company, the business, and then the individual. When the three line up, that's terrific, but that's not always the case.

Realistically, the needs, expectations, and dynamics of our workforces are changing, and to remain competitive, the perspective of the individual is becoming increasingly important.

Equally, when there is internal competition for the same talent or leaders attempt to hoard their talent versus encourage talent flow, maintaining that enterprise-level view and perspective and ensuring it plays out in talent discussions will enable the best outcome.

I firmly believe that talented individuals should be exposed to all options, be given a choice, be able to influence their career direction, and know when there's a bias toward a certain role because it's viewed as best for the company.

**Similar to an individual thinking he or she knows what's best, it can be tough to convince leaders to change their own perspectives on talent needs. Have you ever had to get a leader to take a chance on an employee?**

**MARY:** Yes, on many occasions. Not all talent decisions are straightforward; leaders may often see as much risk as opportunity, and the tendency is often to go with what is familiar and safe rather than what may be riskier but better. I think where HR can bring value is in enabling leaders to think through and then make the best possible decision, and then to own the decisions that they make.

Like many organizations, we have work to do to improve the diversity of our workforce. On one recent occasion, a business leader came to me faced with a hiring choice between a capable, familiar internal candidate and one perceived as an

“A-level” external candidate who happened to be a woman. In this field and role in particular, it was difficult for the leader to reconcile the risk of bringing in someone unfamiliar with the environment, regardless of gender, and trust the candidate to be really successful. The easy decision was to go with the internal candidate who the leader knew could perform well enough in that context.

I could've really pressed him, and based on the scenario it was clear to me that he should take the risk and go with the external candidate. Instead, what I chose to do in the moment, which worked, was to take a coaching approach, to ask good questions that would help him make a good decision. One that he could live with and own. I believe he originally thought I was going to make the decision for him and tell him what to do. While this may be tempting, it provides too much of an easy out. The bigger value is helping leaders peel back what they know they want to do and need to do. In this case, it was getting the leader to acknowledge that putting the familiar but perhaps less qualified talent in a very important role was the bigger risk.

**This is the time of year when many leaders are sitting down to have these types of conversations during talent reviews. When facilitating these types of meetings, what are the key messages that you like to emphasize?**

**MARY:** First, I'll just make a point that the question talks about talent reviews as a process. That's interesting because like many, we are trying to move away from the process or event perspective where we talk about talent only at certain times of the year. We really view effective ongoing talent management as less of a process and more of a core part of a leader's role. As we define good leadership, this is key.

And that message could be well understood in some companies, but in others, leaders may say, “I have a day job and all of these people activities are secondary, not core.” So we really stress our view of leadership and the importance of not just engaging in the activities around managing talent, but really getting to outcomes through insights and a different level of conversation about enabling talent.

One of the other key messages we emphasize is to be future focused. So often we focus on the needs of today or view talent needs through our own lens of what made us successful in the past. But what we need in the future versus who we are as leaders today could look very different. Just because a person doesn't have the same background doesn't mean that person can't be successful. How can we ensure our talent and succession conversations start with a real appreciation of the changing world context and the implications on future talent needs?

**Normally talent reviews focus on the people you are discussing, but you are saying that it is also about how the leaders think about themselves. If successful leaders are really attached to the idea that everyone must follow in their footsteps, then the messages you have to emphasize are much more about rethinking why you were successful and why that is changing in light of today's work environment.**

**MARY:** That's spot on. The key to that, though, is recognizing it can be a really uncomfortable process. You talk about that very logically and intellectually, but for everyone (HR or otherwise), that is an uncomfortable realization—that what made us successful may not be the formula anymore. The fact that millennials coming into the workforce seem to desire more of a "portfolio" type of career than the traditional career path. They want a set of experiences that grow them, and maybe that means we need to be much more open to a very different career model that isn't as structured. And it may be around creating more communities of practices and more experiences where people can move geographies and businesses and functions but do this more laterally, in more of a lattice pattern than those who came before them. To other generations of leaders, that may be a really challenging concept. It's uncomfortable, but that's how it is today and most likely will be going forward. We must rethink our approach to talent management frameworks to remain competitive.

**Rolls-Royce is currently in the middle of a transformation. Thinking about your role specifically, how do you move the company's agenda forward when there are so many people at the table, including a new CEO?**

**MARY:** We worked hard with the previous leadership team to establish our people strategy together and then to really deliver some amazing things. However, 70% of the executive team has changed over the past couple of years through our transformation. So we needed to step back and realign, recommit, and in some cases reshape our agenda for full partnership and alignment. What's worked well here is having a core set of the executive team as true partners and champions.

We also just keep the people transformation agenda really simple. We're really focused on whether we have the talent, the organization, and the culture we need to be successful as a

company. Not just now but in the future. I had a great moment last week when one of our leaders who's on the core team took an active role in leading for some enterprise people topics on the agenda. When that happens, it's beautiful and we know we're leading for this together.

**I imagine that many of the talent decisions you've had to go through recently have required making very difficult risk-reward trade-offs. What are the principles in terms of how you're tackling these talent risks and making the smart decisions on where to put more risk versus to take less risk and be more conservative?**

**MARY:** In an ideal world, we of course start with the talent we have with a focus on internal development, promotion, and succession. And we do take risks in progressing people into roles where we know they will have to grow and change to fill that space. Understanding the size of the capability gap, though, is key, and for both parties that's where we need to be very careful. So I think for us, we've been trying to balance how to provide the right stretch risks/rewards for internal talent while being realistic that in order to transform we will also have to recruit new capabilities that we may not have today.

When bringing in external talent, we look very carefully at the role, the responsibilities as they are today, and how these may evolve over time. When we compare internal capability against external talent, we've been very mindful to stay true to principle of always ensuring we look as far into the future as we can, and that where we do appoint from outside, those candidates and their capabilities are demonstrably different from what we have today.

Bringing new talent into an organization where the culture is so strongly focused on growing from within can be difficult, and there's always some rejection to something new (even in healthy organisms). So you have to create a new set of what makes someone successful and credible. Having leaders who understand that, plan for that, and anticipate that will make the difference here. It's about the support that we provide in the onboarding of that person and in influencing the climate around the hire to recognize that it takes extra effort to bring people in who might have different skills and come from different places than the traditional paths. For this to work and to mitigate these risks, we have to be much more purposeful about it.

**As you are going through this transformation, what questions are top of mind right now that you would like to discuss with your peers?**

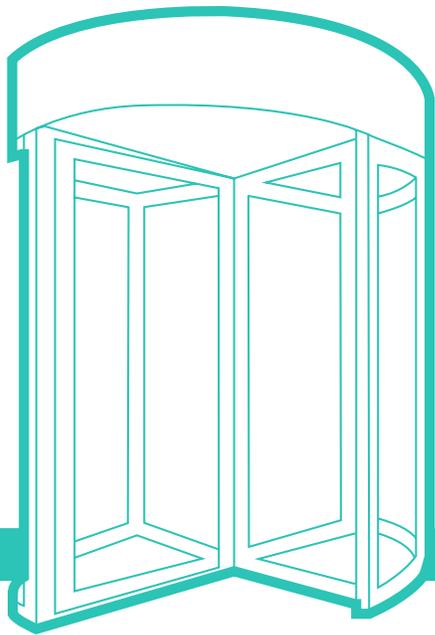
**MARY:** As part of our transformation we have set ourselves a goal of becoming a simpler, leaner, and more agile organization. While we currently have pockets of success in this regard, it's not who we are yet fully in our DNA. So I would ask, "What are the latest insights and experiences others have had on how to truly and fully embed these as part of your culture?"

*This interview has been edited for brevity and clarity.*



I think where HR can bring value is in enabling leaders to think through and then make the best possible decision, and then to own the decisions that they make.





# Three Principles for Exit Survey Success

By **Akbar Naqvi**  
and **Andrew Karr**

In a given year, organizations experience between 10% and 20% attrition in their workforce. Attrition, especially among key talent segments, can harm business outcomes and disrupt critical operations. Many organizations do not actively or consistently track this metric. To address turnover, organizations must first start tracking this metric and then understand the underlying reasons for departure, identify what they can control, and develop a course of action that addresses their challenges. Organizations commonly use exit surveys and interviews to collect data on attrition drivers, but to avoid common pitfalls and misconceptions about these tools, you should keep the following three principles in mind.

## 1 Surveys Should Answer Questions, Not Just Collect Data

When designing an exit survey, clearly identify the specific questions the exit data should answer. It may sound simple, but this step is often overlooked. Without a clear understanding of the information needed from an exit survey, organizations end up with a lot of data and very few answers. When looking for solutions to attrition, organizations need to understand that many factors motivate employees to leave. Use exit surveys to determine the core reasons for leaving and the factors that led to that decision. Identifying the drivers of attrition allows you to determine where your employment value proposition (EVP) is least competitive. Beyond addressing the key reasons for departure, exit surveys should also ask what departing employees are satisfied with when departing and which parts of the job will improve the most at their new employer.

## 2 High Employee Engagement Does Not Guarantee Low Turnover

Although highly engaged employees are less likely to depart an organization, they still quit. Departing employees can be roughly categorized into those who are pushed away (the disengaged) and those who are pulled away (the engaged). Initiatives to improve employee engagement target employees who are pushed away by addressing organizational factors that might be causing employee dissatisfaction. However, there are still employees who are being pulled away by competing organizations. Design exit surveys to understand why your employees go to join them. This approach will provide a better understanding of how competitors are positioning themselves and what aspect of competitors' EVP is winning over your employees. Then use this data to evolve your own EVP.

### Take Action

Deploy our full-service exit survey service [Departure View](#) to uncover the real reasons for your employees' departure, and use our action planning tools to engage and retain top talent.

## 3 Traditional Attrition Drivers Are Not Always the Answer

As HR leaders decide what questions to ask in a limited amount of survey space, they tend to focus on compensation and manager quality. This is risky. Although employees consistently cite these two factors as motivation for leaving, future career opportunities—or rather, the lack thereof—has become the top reason employees depart organizations. In today's flatter organizational structures, employees cannot always see the path to developing their skills and progressing in their careers. This perceived lack of development will continue to hinder retention efforts. HR leaders should thus take a broad approach to surveys that allows employees to identify the true root causes of their departure.

### Conclusion

Regrettable turnover can derail organizational strategy and add to talent management costs. To combat turnover, look beyond simply collecting stats and try to get to the true causes of attrition. This strategy will help you not only reduce employee attrition but also become better competitors in the labor market.

# Making the Talent Review Work for You

## Four Ways HRBPs Can Champion the Talent Review

Scanning today's headlines, you'll likely find recent stories of organizations' presumptive successors and key rising leaders, for a variety of reasons, falling out of consideration. This kind of event challenges HR to manage succession in both the short term (i.e., tomorrow, who's going to take on the work left by this individual?) and long term (i.e., how should we identify, develop, and manage rising leaders to close this gap and still perform well?).

Leaders beyond HR are taking notice, too. Sixty-one percent of heads of HR report their boards have prioritized succession as their foremost talent concern.<sup>1</sup> And in 2016, organizations are looking to talent reviews as a key way to mitigate this significant talent risk. Fifty-nine percent of organizations have already increased or plan to increase the frequency of their talent reviews in the near future.<sup>2</sup> However, the talent review reality isn't as rosy for HRBPs charged with actually guiding talent reviews at their organizations.

### The HRBP Talent Review Reality

HRBPs whom we asked to describe their talent review experiences in one word responded with "check the box,"

"ineffective," "painful," and other less-than-positive descriptions. While the causes vary—from limited business leader participation to inaccurate or incomplete talent data to overengineered or inflexible processes—the net result can often leave HRBPs short of their potential talent review impact.

Even with some HRBP descriptions, such as "opportunity," "collaborative," and "transparency," HRBPs globally feel that the talent review is not working as well as it can. With organizations increasingly focusing on talent reviews this year, HRBPs find themselves at a crossroads in leading and influencing the state of the talent review throughout 2016 and into 2017.

### Four Strategies to Make the Talent Review Work for You

HRBPs should apply four strategies as they lead, facilitate, and support their organizations' talent reviews:

- 1. Establish effective processes to set your foundation—** Identify the critical components of and corresponding HRBP activities required to deliver successful talent reviews.
- 2. Set the right talent agenda to realize talent review impact—** Ensure your talent review addresses the breadth of talent priorities that align with your organization's goals.
- 3. Leverage strategic partnerships to build your credibility—** Identify how to flex your partnership style to draw on the right expertise and strengthen your internal relationships.
- 4. Combat bias to drive parity—** Diagnose potential sources of bias (unconscious or otherwise) during talent reviews, and coach participants to mitigate it.

Reflect on the following questions and practices as you clarify how you want to champion the talent review and make it work for you.

### Talent Review

An assessment and discussion of the performance and potential of a select group of employees to evaluate leaders' readiness to meet the business's strategic needs, identify high-potential talent and successors for key roles, and create development plans where performance gaps exist

<sup>1</sup> CEB 2013 CHRO Board Relationship Survey.

<sup>2</sup> CEB 2016 HR Agenda Poll.

# 1. Establish Effective Processes

What does “good” look like?

An effective talent review process doesn’t begin and end with the talent review meeting itself. Leading talent review processes generally consist of four stages: preparation, facilitation, planning, and ongoing review. Ensuring that each of these steps is appropriately delegated and executed is critical.

What challenges should I anticipate?

Challenges can span each talent review stage. For example, as they prepare, some HRBPs highlight that disjointed talent activities and plans, such as piecemeal performance review data or limited expectation setting with line leaders, challenge their ability to set up and standardize talent review processes. Similarly, during the talent review itself, discussions that aren’t anchored in future business goals and needs and don’t highlight action steps often fall short.

What questions should I consider to address, or even preempt, these challenges?

- Are my line clients bought into the importance of an effectively managed talent review? Have they been active talent review participants in the past?
- What data are we planning to infuse in talent review discussions? Are there any gaps in that data or anticipated challenges in collecting it?
- Is our process aligned with our business goals and talent needs? How will we drive accountability after the talent review?

How have other organizations done this well?

**HRBPs at Standard Chartered**, in partnership with their business unit leaders, created a Strategic People Agenda (SPA) process to integrate business and HR priorities during their talent review. HRBPs agree on a core, global set of talent review discussion questions and communicate appropriate roles. The CEO designates line leaders to manage each SPA meeting and conclude each talent review with a clear, focused action plan that serves as a talent decision-making framework for the year.

“

“The SPA process forces you to quantify your talent risks and see the costs to the business, which you could not get by just talking about people. It drives you to make decisions about talent that might otherwise not have been on your radar.”

Group Head  
Compliance and Regulatory Risk  
Standard Chartered

## Typical Talent Review Process

**Prepare** leaders in your business unit to assess talent.

### Challenge

- Disjointed Talent Activities and Plans

**Facilitate** discussion of current and future talent needs.

### Challenge

- Poor Quality of Talent Review Session
- Talent Discussions Isolated from Business Challenges

**Plan** how to fill talent gaps and develop talent to fill future needs.

### Challenge

- Inadequate Execution Support

**Review** the effectiveness of the talent review process.

### Challenge

- Lack of Available and Accurate Data

Source: CEB analysis.

## 2. Set the Right Talent Agenda

### What does “good” look like?

Despite it being just one talent process, the talent review does not address just one talent topic; the common scope of talent reviews is quite expansive. These priorities are especially important for HRBPs to be familiar with, as HRBPs globally are the primary people in HR responsible for [performance management](#), [leadership development](#), and [succession management](#) at their organizations. The talent management acumen that HRBPs bring to bear during talent review conversations ensures each session ends with valuable takeaways in each of these areas.

### What challenges should I anticipate?

The priorities above represent an ambitious agenda. As a result, a key challenge in setting the right talent agenda is addressing each of these priorities and determining the right discussion level for each priority. A talent review that over-invests in the intricacies of each topic or doesn't align with business goals may miss an opportunity. In addition, as HRBPs already experience, line buy-in to talent priorities is an ongoing challenge. Ensuring line leaders recognize the business impact of their full participation is foundational.

### What questions should I consider to address, or even preempt, these challenges?

- What talent priorities should we prioritize, given the organization's goals?
- Based on my business unit's goals, what do I anticipate my line clients' priorities will be during the discussion?
- Where are opportunities to scale talent review outputs throughout the organization?

### How have other organizations done this well?

**HRBPs at General Mills** bring a “State of the Talent Report” to their line leaders before the talent review, which guides an early discussion of talent initiatives and longer-range business strategy. The “State of the Talent Report” includes data on successor candidate readiness, engagement levels, aggregated performance results, skill gaps in the high-potential (HIPO) pool, and more and helps HRBPs and line leaders get aligned early on the discussion agenda.

#### General Mills Sample Discussion Questions

- How will you use the talent in your business unit to contribute to the organization's long-term strategy?
- Are there any red flags we can identify in the “State of the Talent Report” that could prevent us from achieving our goals?
- Which goals are we most and least positioned to reach?



“Our leaders are the primary group discussed and planned for during talent reviews. For the rest of our employees, we think, ‘Why can't we capitalize on some of the solutions we have developed for senior leaders during talent reviews and cascade them more broadly to the rest of the organization?’”

VP of HRBPs  
Financial Services

### Common Talent Review Agenda



To set the right talent agenda, understand the varying talent priorities that talent reviews address and what best practice looks like for each priority.

Source: CEB analysis.

### 3. Leverage Strategic Partnerships

🔍 What does “good” look like?

In their ongoing work with the line, **effective HRBPs employ insight-driven partnerships**, where they bring data, ideas and questions, and connections to their internal interactions. In practice, this could consist of bringing dashboards and data to conversations with line clients or asking probing questions to understand line clients’ talent and support needs.

⚠️ What challenges should I anticipate?

Navigating stakeholders’ preferences, priorities, and communication styles is challenging during talent reviews as well as in everyday work. Apply your ongoing partnership strategies during talent reviews to turn these common challenges into key partnership-building moments.

❓ What questions should I consider to address, or even preempt, these challenges?

- How do my line clients like to receive information? What talent data and information could I use to inform talent review conversations?
- Where do I anticipate receiving pushback or challenges from my line clients during the discussion, and what responses and recommendations can I prepare in advance?
- How are my internal partners in HR also supporting our talent review process? Are there any opportunities to better align our support?

🏢 How have other organizations done this well?

**HRBPs at Sears Holding Corporation** use centrally created talent dashboards to lead a discussion with their line clients on talent analytics needs. Regular dashboard discussions allow HRBPs to build credibility before the talent review by sharing targeted analytics recommendations and improve their own data fluency in the process.

**HRBPs at MetLife** use quarterly meetings with their partners in L&D to create responsibility assignment models (RACI models) that clarify involvement and participation expectations with each key player in the talent review and ongoing projects more broadly. These rules of engagement guide conversations where each participant is updated on relevant HR topics and establish transparency that strengthens talent review action steps.

# How Will You Win the War for Talent?



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WHAT THE BEST COMPANIES DO

# 4. Combat Bias

## What does “good” look like?

Although 91% of S&P 100 organizations offer unconscious bias training,<sup>3</sup> **most HR leaders and HRBPs recognize** that diverse and inclusive workforces require additional, everyday activities to combat bias. Bias often creeps into talent reviews to affect outcomes like promotion decisions, successor deployment, and HIPO designations. **HRBPs and organizations that successfully combat bias** on the job use a variety of approaches, including defining precise promotion criteria, establishing clear participation expectations, strengthening intra-HR partnerships to raise awareness about bias, and using historical data to track the impartiality of past talent review decisions.

## What challenges should I anticipate?

By definition, unconscious bias is a reaction and challenge that’s unknown to its offenders. As a result, HRBPs face a unique challenge in not only elevating internal awareness of possible sources of bias but also delicately navigating and coaching participants through how best to manage talent review decisions and discussions.

## What questions should I consider to address, or even preempt, these challenges?

- Are there any underrepresented employee segments in my business unit’s leadership population?
- What does ongoing performance data tell us about the quality of our promotion decisions during past talent reviews?
- To what extent do my line clients seem aware of and interested in combatting bias? How should I flex my communication style during discussions if I identify potential bias?

## How have other organizations done this well?

**HRBPs at Cyber<sup>4</sup>** use a list of **ready-made questions** to uncover and manage sources of bias during talent review discussions. Questions range from “What other candidates have you considered for this position?” to “Is your evaluation based on the quality of this individual’s decision at the time it was made or on the eventual outcome?” and “What peer group are you comparing this individual to?” With these lines of questioning, HRBPs are able to productively alert talent review participants to potential sources of bias.

**HRBPs at Alpha Company<sup>5</sup>** work with their partners in their central analytics team to identify additional metrics that would help document past and inform future talent review decisions. By tracking metrics that measure leaders’ inclusiveness, including team rates of promotion, talent review sponsorship, and team employee resource group participation, HRBPs can identify pockets of their business units where bias may be more likely to occur and manage accordingly.

## From Talent Review Pain to Talent Review Gain

Although HRBPs face risks in changing talent reviews, the risk of not making improvements is greater. Given the scope, scale, and impact of an effectively managed talent review, HRBPs have a unique opportunity to champion the talent review and make it work for their organizations.

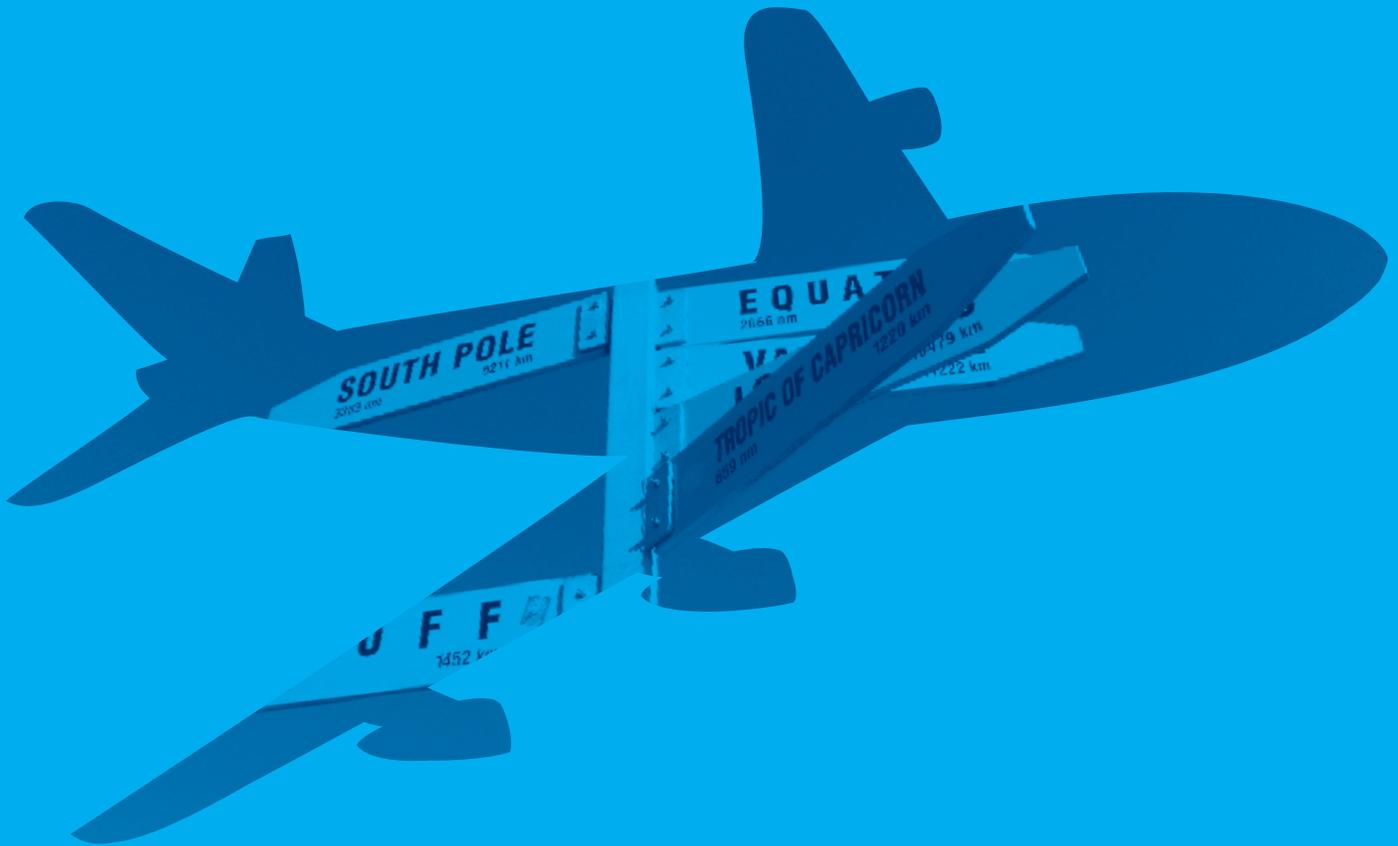
<sup>3</sup> Calvert Investments, *Examining the Cracks in the Ceiling: A Survey of Corporate Diversity Practices of the S&P 100*, 2015, [www.calvert.com/NRC/literature/documents/BR10063.pdf](http://www.calvert.com/NRC/literature/documents/BR10063.pdf).

<sup>4</sup> Pseudonym.

<sup>5</sup> Pseudonym.

# Prepared for Departure?

Are recent changes such as M&A  
causing your top talent to leave?



Launch your exit survey at [cebglobal.com/member/corporate-leadership-council](https://cebglobal.com/member/corporate-leadership-council) to see why your employees are dissatisfied and leaving.



# The Future of Engagement: Engaging Beyond Annual Surveys

By **Marcus Chiu and Connie Kang**

Engagement is a top priority for heads of HR, yet engagement isn't having the impact it should (see [“The Value of Employee Engagement Is Cloudy”](#)). In fact, 70% of organizations believe engagement is critical to driving business results, but only 20% of engagement initiatives actually affect the bottom line.

It's hard to argue that employee engagement doesn't matter—people who are excited about their work should on average do better than those who aren't. Indeed, our data shows that organizations with the most engaged employees are three times more profitable than those with disengaged employees. But why is it so hard for HR leaders to measure how engagement impacts their organizations?

The answer is that organizations rarely take a holistic approach that measures engagement at both the macro- and micro-level. Broader, macro-engagement measurement tools, such as annual engagement surveys, offer overall trends and serve as an indicator of organizational health. Narrower, micro-engagement measurements focus on in-the-moment employee

actions and responses to tell who is disengaged, when, and even why so you can pull the right levers and measure real-time business impact.

Organizations typically focus on measuring engagement at the macrolevel through large-scale surveys because an established engagement

model provides continuity and credibility. For these reasons, only 28% of HR executives plan on abandoning or eliminating their engagement survey in the next five years. However, in a change-saturated environment where frequent course corrections are needed, this annual survey approach is no longer enough. 42% of heads of Engagement agree that engagement survey measures are lagging indicators of engagement, which makes it challenging to accurately predict employee performance and turnover. Managers and line leaders have difficulty making action plans based solely on broad trends the same way gardeners find it hard to decide when to water their plants based on year-over-year rainfall totals—they need a weather forecast, or in this case, real-time engagement guidance.

The recent boom in big data and HR technology offerings has given organizations the opportunity to explore new engagement models, both by enabling more active collection of data about the workforce and by enhancing analytics capabilities to synthesize and mine existing organizational data.

The most common next step organizations have taken in improving data collection has been to adopt other, complementary survey methods. For example, over 40% of organizations have

experimented with using pulse surveys to collect engagement data, and 22% more plan to do so in the near future. These short, customizable surveys allow organizations to more frequently measure and respond to changes in engagement levels or tailor their deployment in response to major changes and initiatives. Some organizations are also exploring mood-measuring technologies to easily gauge employee sentiment in real time, without much disruption to daily workflows. While employee moods don't provide a full picture of workforce engagement, these applications enable managers and leaders to quickly respond to changes in morale. Nevertheless, actively seeking employee feedback could lead to survey fatigue, especially if employees do not see their contributions leading to tangible action from leaders and HR.

Beyond collecting more data, organizations are increasing their use of existing data sources to inform engagement. Until recently, HR leaders have not used existing sources of organizational information—calendars, e-mails, instant messages, etc.—to inform engagement because of privacy concerns and analytical constraints. However, our analysis shows that most employees are ambivalent to, or even in support of, organizations using these data sources to improve engagement. Rather than waiting for once-a-year results and planning actions based on a drop in engagement levels, organizations could potentially predict a team's or department's engagement and turnover risk based on periods of low work-life balance, frequent unproductive meetings, or even fluctuations in social interactions. However, tapping into large pools of unconnected data to inform engagement requires investments in workforce analytics and technology infrastructure—a commitment that not all organizations are ready to make.

Where do we go from here? It's a question open to debate, but it's critical to remember that measuring engagement isn't a goal unto itself. How engagement levels are measured is less important than maintaining a clear line of sight between engagement levels, action plans, and business priorities. Most heads of HR and Engagement recognize this too, raising an even more important issue: the need for leaders to shift from viewing engagement as an HR initiative to owning their own team's engagement. After all, the purpose of employee engagement data is to help leaders make better business decisions about where and how to motivate the workforce to achieve the organization's goals. Improving measurement methods acts as a catalyst for starting down this path, not a shortcut to the final destination.

For more on measuring engagement, see our benchmarking report [“The Future of Engagement.”](#) Learn about the practices, challenges, and innovations in measuring employee engagement in organizations worldwide.



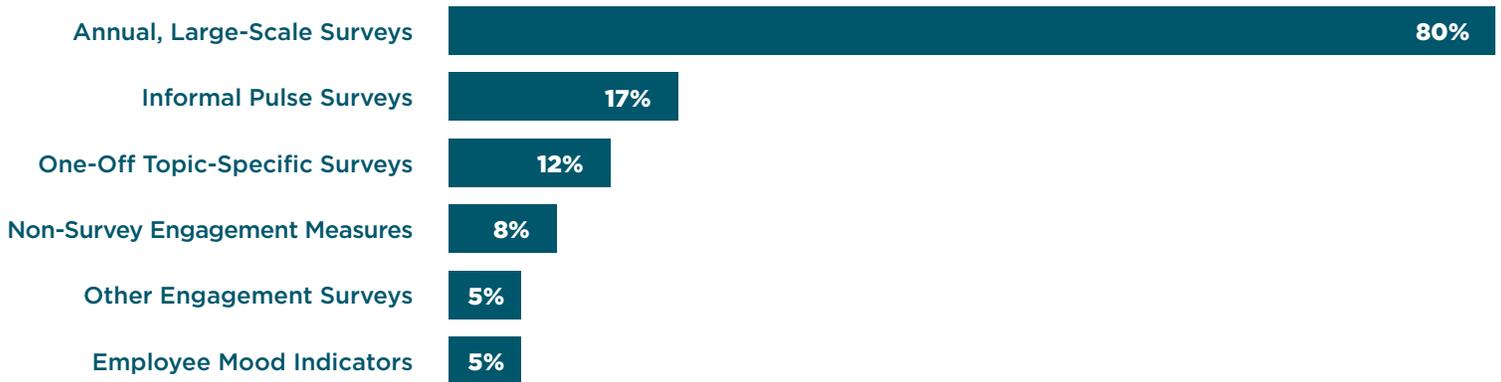
**70% of organizations believe engagement is critical,**

**but only 20% of engagement initiatives affect the bottom line.**



## Organizations Still Measure Engagement Through Annual Surveys

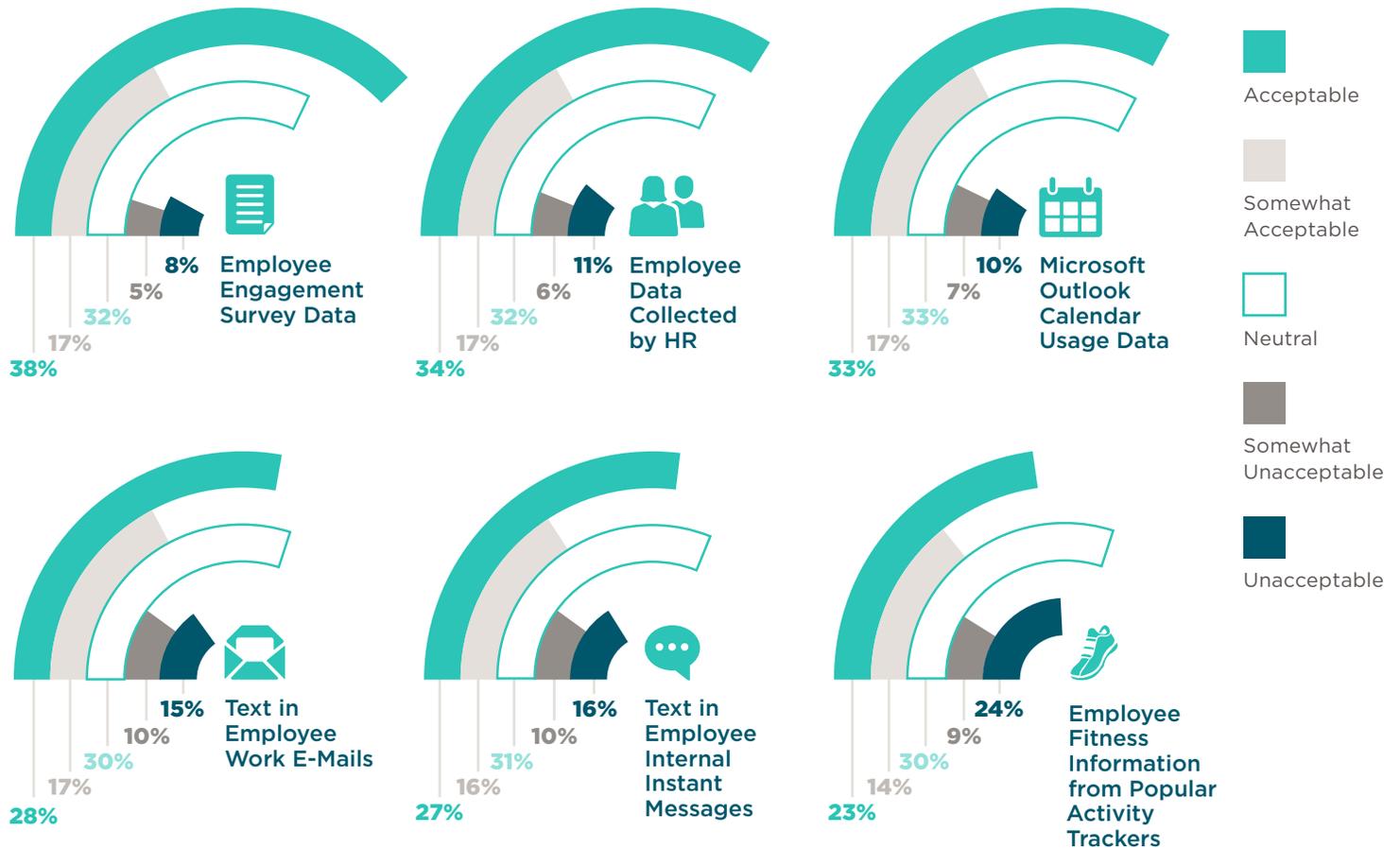
### Percentage of Organizations Using Each Method



n = 177.  
Source: CEB 2015 Head of Engagement Survey.

## But Employees Are Opening Up to Companies Using Private Data

### Percentage of Employees Selecting Each Option



n = 3,995.  
Source: CEB 2015 Leadership Council Research Partner Survey.

By

Kelly Rincon  
Hannah Muldavin  
Scott Engler

# Building Creative Teams: Lessons from Adam Grant

Highlights from the CEB Talent Angle podcast, which features interviews on talent with leading business thinkers

As organizations continue to adapt to the new work environment, the concept of building better teams has come up again and again. We have **identified** several ways employees can collaborate and share knowledge to optimize performance. But this new trend of team building takes this idea a step further: how can we build groups that will fuel organizations with the creativity and innovation they need for the future?

We turned to Adam Grant, Wharton's youngest tenured professor and best-selling author of *Give and Take* and *Originals*, to help us answer that question. Grant's work ranges from building workplace culture and finding the right employees to developing effective teams and sparking innovation. At the core of it all, his work focuses on identifying the right individuals to form creative and effective teams.

## Identifying the Right Employees

As Grant explains, the world is made up of three groups: givers, takers, and matchers. On one end of the spectrum are takers, who try to get as much as possible from others and avoid giving back. On the other end are givers, who enjoy helping others with no strings attached. Matchers sit between the two and try to maintain an even balance of give and take.

So which of these groups is best to have in an organization? Grant found that givers are a positive force in an organization, but takers have a negative impact that is double or triple the positive impact of givers. For example, when a team has at least one taker, then other group members will become paranoid of exploitation, discouraging givers from being generous. Yet when you place givers on a team, it does not lead to an explosion of generosity. Rather, the takers in the group use the opportunity to pass their work to the givers.

Therefore, the ideal team will be a mix of givers and matchers, with takers screened out. When matchers are in the presence of givers, they become givers as well, but they still retain their ability to police takers.





### Building the Best Teams

The challenge is, it's not always easy to determine whether an employee is a giver, taker, or matcher. As Grant notes, "Takers are great fakers in a lot of cases. They tend to kiss up and kick down because they want to impress powerful people, so that's where they direct their generosity." In addition, everyone has moments of giving, taking, and matching. It can be confusing determining which employees are which.

Grant's solution to identifying these groups is through the interview process. Recruiters should ask candidates to predict the behavior of other employees. For example, "What percentage of people do you think would steal credit for other people's ideas in this industry?" Or, "How common is hoarding knowledge instead of sharing it?" He found that people who anticipate more taking from others are more likely to be takers themselves. This early line of questioning can reveal employee behavioral tendencies before they are hired.

### Tapping into Innovation

Once organizations have balanced teams, the next question is how to use them to tap into deep wells of creativity and innovation. Whether you are in digital design or manufacturing, coming up with new ideas is essential to the survival of your organization. Grant points to the common refrain of "Disrupt or be disrupted" and makes the case that this is "more true than it ever was in the past. If you don't build an organization where people are able to champion unpopular ideas and share dissenting opinions, you are just making it easier to become obsolete."

But is this really relevant for most organizations? Of course Apple, Google, and Facebook need to be creative, but what about the rest of us? Grant makes a compelling case that the need for innovation is not limited to specific companies or even specific industries, but rather is essential because of how advances in technology are changing even the most traditional companies.

For example, in 2010 some of Grant's students approached him with an idea to disrupt the eyewear industry. The industry was dominated by one company, Luxottica, which charged whatever it wanted for eyewear. These students decided to launch a company

that would enable customers to purchase prescription glasses online, lowering costs and producing a luxury product for less. Today, Warby Parker is valued at \$1.2 billion, and *Fast Company* named it the world's most innovative company.

This kind of innovation is a tall order for many organizations, but having the right teams in place is the first step. From there, each team can use key lessons from group psychology research to optimize creativity. The key is creating the right environment for fostering ideas.

### A Culture of Creativity

In writing his book *Originals*, Grant spent time discovering where great ideas come from and how others can replicate that process. "You need a lot of bad ideas to get a few good ones. In the idea domain, quantity is one of the best predictors of quality," he said. Yet it can be challenging for employees to share new ideas.

One emerging solution to this problem is the idea of psychological safety. When employees feel safe to share their ideas without fear of judgment or backlash, they are much more likely to come up with crazy and different ideas.

Grant points to Sheryl Sandberg as a role model for this behavior. She will begin a meeting by talking about her development goals, which allows other employees to open up. "That level of vulnerability is incredibly rare for senior leaders. Instead of people wasting time and energy on image management, they are focused on getting better." Leaders that foster this level of psychological safety see an improvement in team creativity.

Another way to inspire innovation is for leaders to demonstrate openness to new ideas. It is not enough for leaders to say they are open to ideas—they need to demonstrate it by accepting criticism and feedback from peers and direct reports and then acting on it.

Finally, Grant believes in giving employees the space and time to be creative. He notes, "The greatest innovators in history are not the ones who had better ideas than their peers. They're the ones who had more of them." When teams are brainstorming, they might come up with 15 to 20 ideas, after which they feel they are out of ideas. But if leaders can encourage them to keep brainstorming for another 5–10 minutes, the team may be able to double its output and produce more novel ideas.

For more information on building the best teams to achieve innovation, listen to [Adam Grant's podcast](#) episode on CEB Talent Angle.

# Where will you join your peers in 2016?



## 2016 Meeting Dates for HR Leaders

### Open Source Change: Making Change Management Work

#### Executive Retreat<sup>1</sup>

Canberra	9 August
Perth	16 August
Wellington	16 August
Kuala Lumpur	6 October

#### Executive Briefing<sup>2</sup>

Charlotte	8 June
London	14 June
Atlanta	15 June
Sydney	10 August
Melbourne	11 August
São Paulo <sup>3</sup>	31 August
Johannesburg	13 September
Bogota <sup>4</sup>	14 September
Brussels	21 September

#### Staff Briefing

San Francisco	23 June
London	7 July
Sydney	11 August
New York	25 August

### CEB ReimagineHR Summit 2016

Miami	7-9 September
London	26-27 October

### Lost Stars: Redesigning Your HIPO Strategy to Deliver Better Leaders Sooner

#### Executive Briefing<sup>2</sup>

New York	23 August
Dallas	20 September
Zurich	5 October
Palo Alto	20 October
Melbourne	8 November
Chicago	10 November

### Organizing HR to Lead Enterprise Change

#### Executive Briefing<sup>2</sup>

Washington, DC <sup>5</sup>	30 June
Monterrey <sup>4</sup>	19 October

### The HR Executive Agenda: Key Insights on What HR Executives Need to Know<sup>1</sup>

Chicago	28 September
Sydney	10 November
New York	16 November
London	22 November

Note: Dates and locations are subject to change.

<sup>1</sup> CHROs/heads of HR only.

<sup>2</sup> CHROs/heads of HR and their direct reports; limit of two per meeting.

<sup>3</sup> Half day; event in Portuguese.

<sup>4</sup> Half day; event in Spanish.

<sup>5</sup> Half day; open to public sector and US government organizations.

## 2016 HR Meeting Descriptions

### Open Source Change: Making Change Management Work

April–October 2016

HR executives are being asked to effectively implement changes faster than ever before. Most organizations rely on top-down change strategies such as communication cascades and manager training to embed the right behavior change. But top-down strategies fail to achieve behavior change in today's flatter and more networked, collaborative, and matrixed work environment. These approaches are slow, inconsistent, and ineffective—leading to a high failure rate. The most successful organizations use bottom-up and sideways change strategies that rapidly embed sustained behavior change.

Learn how leading organizations vastly improve the success rate of change initiatives.

### CEB ReimagineHR Summit 2016

March–October 2016

As the pace of change in HR accelerates, HR teams need to adapt. Indeed, 81% of global heads of HR plan to make changes to the function's operating model this year. Join other global heads of HR and members of their direct leadership team to learn how to identify the most disruptive forces impacting HR and position your teams for success.

While our other events analyze specific topics, ReimagineHR is designed to bring together the HR leadership team and expose you to multiple critical insights and solutions to drive change. This is a multiday event that includes panel discussions, presentations, formal networking, and breakout sessions tailored to your specific challenges.

### Lost Stars: Redesigning Your HIPO Strategy to Deliver Better Leaders Sooner

August–November 2016

As organizations become flatter and the profile of the high performer evolves rapidly, organizations need to adopt a more flexible approach that builds future stars who will outperform in a wide variety of roles and contexts.

At the same time, retaining high-potential employees (HIPOs) is a critical challenge. Less than 50% fully intend to stay with their organizations beyond the next 12 months. To add to the challenge, HR leaders must also create compelling value propositions for a new generation of rising leaders. How can organizations develop HIPO strategies that are agile enough to address the rapidly changing needs of both the organization and its most promising employees?

### Organizing HR to Lead Enterprise Change

February–October 2016

Eighty percent of organizations will experience at least one major change (e.g., M&A, restructuring, global expansion) in the next year. But two-thirds of these initiatives fail to hit their goals, costing millions in missed opportunities. Leading HR executives have realized that simply managing each change as a project no longer works in a world of constant change. Instead, they have redesigned the HR operating model to improve their company's performance throughout all the changes their organization is making.

Join us to discuss how to apply three key principles to improve the HR operating model's performance.

### The HR Executive Agenda: Key Insights on What HR Executives Need to Know

September 2016–2017

HR Executive Agendas provide a unique experience for building true peer networks and discussing insights and actions on the most pressing topics on (or should be on) your agenda. Each HR Executive Agenda begins with an evening event, where attendees meet for a dinner experience unique to the event location. The following morning, attendees reconvene for a day-long, highly interactive session focusing on three core topics with top CEB insights kicking off each discussion and attendees leaning in with their own perspectives and experiences. Members are encouraged to use the forum to solicit feedback and advice from the peers around the table on their specific initiatives and plans.

## How to Attend

Contact your account manager, or e-mail [meetings@cebglobal.com](mailto:meetings@cebglobal.com).



## The **CHRO Insight Series**

### **CHRO Quarterly Magazine**

Business insights and implications for heads of HR on leading their organization and HR function, featuring personal stories from leading HR executives

### **HR News Report**

Quarterly functional insights on advances, challenges, and opportunities in HR categorized by 10 key functional areas

### **Global Talent Monitor**

Quarterly workforce insights on global and country-level changes about what attracts, engages, and retains employees, based on data from 18,000+ employees in 20+ countries

### **CHRO Video Series**

Personal insights from leading heads of HR on the most important relationships and activities CHROs must manage

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