Companies Need to Nurture Talent' say CEOs

The term 'people governance' means many things to many managers but, to a group of CEOs at a recent seminar, key to the concept is finding, nurturing and keeping their workers' talents.

One good description of people governance is "integrating the human dimension in all levels of decision making". But why is the concept so important?

By Tony Mallett

Clearly employees play a major part in company success. Companies need a lot of things to work well - good procedures, the right machines, up-to-the-minute technology but also people. Most CEOs now seem to agree that what helps a company to beat its competitors is the talent that it brings in and tries to keep, plus the talent that it nurtures and puts to work.

A Resource with a Difference

One CEO insists that employees cannot be treated as any other resource as they are probably the one element that makes a difference: people will actively help a company if they feel concerned, appreciated, listened to and involved in the process.

Human capital, it is often stressed, is a firm's strategic asset. The problem in many companies, however, is that the topic of 'people governance' rarely makes it to board level. Innovative CEOs hold that such items should be on the board's agenda but in many companies there are often no people – such as the HR manager – represented at that level. Each board needs someone with people governance competences.

Basically, if a company wants to convince the market that its human capital creates value, that 'capital' must work effectively inside the company first. So it is clear that proper people governance is an important 'next step' if a company is concerned about - and working on – quality, and wants to prove it outside its own walls.

Evolving a Culture

Companies that have been around a long time obviously have secrets of longevity and part of this is clearly its culture and values. A general view is that an organisation should create possibilities and a platform for all employees. That means equal treatment for the whole of the organisation. Clearly, there are those who take the opportunities and those who don't.

Project groups can also be vital as what is sometimes needed is an invitation to employees who would like to develop. This works best for employees who have the drive, the motivation and the talent and makes it easy for the CEO to spot the talent while making the employee truly feel part of something.

Employees also need the possibility to gain business skills. In tandem, it is smart practice to give them a personal development challenge, by saying: "I want you to reach this level and be able to do that job" within, say, three months. These people also need to be trained in decision making. Once these steps have been implemented, a CEO can also quickly spot the most talented employees – and nurture them.

'Walking the Talk'

People governance also means listening to and involving people. This doesn't mean staying on the top floor having someone report from time to time on what is happening, but means leaving the ivory tower and speaking with every level.

Internal hierarchy cannot be ignored, but a CEO can still speak directly to people, not by replacing their direct boss, but by listening to challenges, problems and suggestions and making sure that action is taken when a good idea is put forward.

If a CEO 'walks the talk', he will see that managers will do likewise and overcome their fear of putting forward team ideas. The CEO is simply helping the manager to do this so that, next time, the manager will do it himself.

Major Challenges

One challenge in the people governance arena is how to establish the link between strategy and human capital. Intangible assets – people's talent - must be in line with the strategy of the firm. And so the way of creating, developing and managing intangible assets and human capital must support and reinforce the business strategy. It must be integral, in fact.

Given that each firm has a unique strategy, leading to a unique combination of intangible assets, each must implement a customised strategy for its human capital.

Also challenging is the question of how to establish 'live' synergies between human capital and other intangible assets. For instance, companies must discover how to create synergies between clients and human capital. It is clear that innovation, for example, is often the result of a co-creation between company people and their clients. There's clearly an 'outside' innovation, especially in the service industry. So to capture this innovation from clients or stakeholders, companies will have to organise their human capital structure with this in mind.

Making the Invisible Visible

A third challenge is how to demonstrate, mainly to investors, that there's a link between human capital, long-term performance and sustainable value. The CEO has to make the invisible visible, very clearly, inside and outside the company.

Also, a company needs a 'driver' - a value driver for intangible assets and human capital. Why? In order to measure these assets, because some clients think that what's not visible does not exist, however untrue that may be.

Clients may also think that what cannot be measured cannot be controlled or managed. The feeling from forward-thinking CEOs is that if a company has a package of indicators - a way of rating the intangible - it will be possible to overcome this issue.

Weights and Measures

One CEO cited two projects as designed "to involve and to promote the people governance function". The first is the 'balance score card' principle, whereby a company asks 'what is really driving the value of our business?' Is it, for example, innovation in a pharmaceutical company? Is it sales in a distribution company, etcetera. The balance score card links human resources to company values.

There is also 'activity-based costing', which brings a HR component into play and which, crucially, can then be regularly reported at board level. These are two ideal instruments for bringing people governance issue to board attention.

Measuring employee satisfaction.

But how can a company measure whether 'people governance' is working for the employees? One view is that it can be done partially through 'satisfaction inquiries' that let a CEO feel how a company culture is evolving by reading signals from within.

But a company will also hear from customers how its people deal with them, whether they (the clients) feel the benefit of any changes, if they feel that staff are being more involved or swifter in solving problems. These are signals, although even good signs cannot prove conclusively that better results are merely from people governance policies, or whether it's the fact that people governance is part of a bigger whole.

Risk Management

One possible downside, though, is if you have intangible assets, you also have intangible risks that need to be managed too. For example, if a company has some specific expertise, it must be sure that it has brought this skill into the company structure. Because, if key people suddenly go to a competitor, where is that expertise?

A company must therefore capitalise and organise the transfer of such expertise into the fabric of the firm. This is 'mutual enrichment'. When employees leave, they are richer. And when they leave, the company is also richer for having successfully integrated the expertise. And that's good for everyone.

The panel members for this session were:

Dirk Van de Walle from Partena,
Danny Vandormael from Seris,
Marie-Ange Andrieux of Deloitte
and Francine Swiggers from Arco.
Facilitator:

Wim Vandekerckhove (University of Greenwich Business School)