

# — STEPPING UP — TALENT MANAGEMENT

## How Corporations Can Get Their Greatest Assets To Climb The Management Ladder

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It used to be that the top business school graduates looked for a steady career in a corporation where they could work their way up to the top. Companies such as General Electric, General Motors, and Proctor & Gamble regularly had candidates lined up around the block waiting for the opportunity to just apply for their coveted management program positions. Today is a different story. Take a look at any of the highest-ranking business schools and it is clear that the most competitive and in-demand jobs for new graduates are found, year after year, in the professional services industry. Since 1975, the percentage of business students who go into professional services has doubled. As a result, many corporations are unable to find enough talented candidates to meet their entry-level need, which in turn forces them to hire much of their middle management and above from outside the corporation, rather than from within.

### Firm Specific Skills

The trend of people leaving professional services firms to join corporations at advanced entry levels is not new. The very reason many graduates pursue careers in consulting, accounting or investment banking in the first place is to avoid the slow-moving corporate ladder and jump straight into corporate upper management after only a few years in the workforce. Furthermore, graduates are attracted to the prestige, high salaries and superior learning experiences that many professional service firms claim to provide. However, this increasingly popular trend is leaving corporations with employees who never get the opportunity to develop any organization specific skills or insights.

A firm specific skill set is one that allows an employee to truly bring a competitive advantage to their organization. Their intimate knowledge of the company's functional areas, capabilities and assets allow them to become more effective leaders as well as teammates, and are particularly skilled at helping an organization reach its unique potential. This skill set can only be acquired through several years of working in different areas of an organization and not all employees even have the potential to ever develop this far. Glenn Rowe, Director of Ivey's Executive MBA program, estimated that only 5-10% of all employees are capable of becoming a source of competitive advantage, and that even the most talented employees cannot do this in only a few years. Still, these employees will be the company's most valuable sources of insight. Their firsthand experience with the implementation of strategic initiatives makes them much more in tune with what works for the company and what does not. Equally important is that a company which develops enough of these employees is able to create an asset that is both loyal and hard for its competitors to replicate. In some industries, especially where costs of specialization make

training costs high or intellectual property is a closely guarded asset, this can be crucial to the long-term viability of the firm.

Developing employees who are a source of competitive advantage for a corporation involves not only recruiting the best talent, but also retaining this talent long enough for the skill set to develop and to be able to utilize it. Many North American corporations, such as General Electric – a company renowned for its ability to create the world's most talented managers and executives – have publicly announced their inability to attract top-tier graduates from top business schools. Furthermore, the candidates they have selected often fail to remain at the company for more than two to three years. As a result, many of these companies are bringing in top talent from outside the organization as they feel that many of their most important positions cannot be filled by their current employees.

If this cycle is permitted to continue, 10-20 years from now corporations will find themselves being led by individuals who are either not talented enough or too new to the organization to become a source of competitive advantage. This will place these companies at a significant disadvantage – particularly against international companies that operate in countries where company loyalty is strong. These organizations, along with a few North American corporations who place emphasis on employee retention, will have developed leaders who can use their natural talent and years of experience in the organization to truly excel.

### Hiring Tomorrow's Leaders Today

The first step to developing employees that can bring an organization a competitive advantage is to recruit the best talent early. Professional services firms have identified that their talent is their biggest asset, and they make this clear through their recruiting tactics. Career management offices at both U.S. and Canadian business schools are quick to mention that professional services firms are always the first to come talk to their students, invest the most time and money in their recruitment programs, and are most aggressive in their pitches and job offer strategies. Traditional industries, on the other hand, are "notoriously late to market", according to Craig Ingram, Ivey's Head of Career Management puts it, and "don't approach recruiting with long term vision". When asked to list the organizations who invest the most time and money into their graduate recruiting programs, Career Management staff at the Rotman School of Management listed a series of different banks, consultancies and accounting firms – but not a single traditional industry corporation.

North American corporations need to realize that the value of their brand is no longer enough to attract the top students. Banking and consulting jobs in particular have become the most

attractive jobs for students who are looking for the prestige of a fast paced, intellectually changing and well-compensated career. The recruiting tactics of the professional services have permeated the cultures of many top business schools. As such, it will take a concentrated effort to spark change. Corporations who want to attract business graduates away from professional services need to make a direct pitch about what their training programs will provide their recruits, why their corporation is the best place to work and advertise those who have moved up from the bottom of the organization. Professional services firms do not shy away from outwardly telling students that their firm is the number one place to work, establish a career, and build leading skills. Industry firms need to focus on their recruiting tactics and convince top-tier students to turn down professional service offers and begin a long-term career at their organization. However, this alone isn't enough. The corporations need to fundamentally reboot the way they treat and organize their entry-level leadership positions.

One of the biggest barriers for many considering entering a traditional industry corporation is the idea of getting stuck in middle management. Careers like consulting and investment banking have very defined career paths. Their employees get constant feedback and evaluations and know that in two to four years they will be in a different position than they are now. Corporations on the other hand, are notorious for their slow-moving management programs and propensity to bring in younger talent from outside the organization for top-level positions. As such, graduates entering professional services firms know they will not only make more money in the short term, but they will also have a better chance of reaching upper management in industry if they ever choose to join a corporation later in their careers. Business students know this – and often actively avoid joining the corporation of their dreams until having proven themselves in professional services. If corporations want to develop employees with an organizationally specific skill set they will need to identify these employees from the outset and then put them in a position in which they can develop and succeed.

McDonalds is one North American corporation that has almost perfected the employee evaluation and motivation process. This process has been so successful that 60% of McDonalds' senior management and 30% of franchisees began their careers as crew people. Bill Johnson, a former CEO of McDonalds Canada and Mexico, began his career as a crewperson and worked his way through the corporation to become the CEO 30 years later. Johnson credits much of his rise up the corporate ladder to the culture of "ask and get" that McDonalds' has created for its employees. When Johnson decided that he was ready to move up in the company, he would ask for a promotion, "That was always my golden rule – I always let them know what I wanted". The culture at McDonalds' is one where the employees know that they have the opportunity to be successful. "Companies like McDonalds want you to be successful, at the end of the day that was the goal from the

beginning with [McDonalds' Founder] Ray Kroc," says Johnson. "We want everyone to be successful – the suppliers, employees and franchisees... when you build that culture, you will be successful,"

McDonalds may seem like an odd example for recent graduates of top business schools. Yet its ability to motivate and promote its employees throughout all levels of the company is a testament to the potential major corporations have to attract top candidates for its entry-level positions. Simple internal programs such as formal evaluations, experience request systems, management fast-track programs, and a promote-from-within policy will give employees the motivation to want to grow within one organization, rather than by hopping between companies. More importantly, these companies also need to be more active when it comes to exposing their candidates to a diverse set of experiences – something consultancies and investment banks all excel at. Corporations need to take the initiative to actively throw their youngest recruits at major problems and challenges, domestically and abroad. This is the only way companies will be able to truly train leaders of tomorrow and provide them with the firm-specific skill set the company needs to thrive.

## Getting People Up the Ladder

While these are all important steps, even the best recruiting tactics and the most streamlined management fast-track programs will not be able to achieve the necessary employee retention rates unless corporations compensate them fairly. One of the biggest factors attracting top talent to the professional services industry is the lucrative compensation. Employees have to work hard, long hours, but they are compensated accordingly. To that end, many professional services firms spend more on their entry-level hires than they get in return for several years. However, these companies look at these first few years as a long-term investment in their most important asset. They hope that in doing so they will build a relationship that will provide them with considerable value in the long run. Though corporations have a similar goal in mind, it's unlikely that they'll have much luck until they can prove it with their cheque book.

Even in an era of exponential technological innovation, the most essential asset for an organization continues to be their people. Corporations may be getting by with CEOs who used to be investment bankers and consultants or with entry-level staff that either isn't up to par or gets stuck on some rung of the corporate ladder. However, corporations cannot compete with their competitors by simply bidding for talent on the open market. Long-term success comes from building a workforce with unique skills, insights and capabilities that allow the company to unlock its hidden potential and cannot be easily replicated by its competitors. To do this, corporations must fundamentally change the ways in which they recruit, compensate and train their entry-level employees. Only then will the best candidates return to knocking on their doors for jobs.

