

# what do you need to do to **develop and retain your talent?**

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## Introduction

It probably won't come as a surprise that the single most pressing concern amongst 7300 global business executives is the 'overall economic climate\*'. However, the fact that the second most pressing concern is 'hiring and retaining talent' might raise a few eyebrows. It appears that businesses are realising that 'our people are our greatest asset', the eternal claim of mission statements across the globe, is not just a good thing to say, but a critical business principle. Part of this shift could be put down to the increasing body of evidence linking people development and bottom line performance. Take some examples:

- US retail giant Sears found that a 5-point improvement in employee engagement resulted in a 1.3-point improvement in customer satisfaction, which in turn drove a 0.5% improvement in revenue growth. What's more, a 4% improvement in customer satisfaction translated into more than \$200 million in additional revenue (Rucci et al, 1998).
- In an accountancy firm, running management development centres led to a reduction in annual turnover from 18% to 12.8%. Further analysis showed that sending one extra participant from each of the 50 operating companies increased the sales of that company by 2.7% over two years (Naish & Birdi, 2001).

If companies are sold on the idea that developing people yields benefits for employees as well as the business, the next challenge is what to do about it. How can you be sure that you are targeting your development budget on the things that people will really need to develop and which will give maximum returns to the business? Within organisations there is often information available on people's capabilities in the form of competency ratings or appraisal data. However, because this data is collected using pre-defined models, there is a risk of the accuracy of the information being constrained by the model. That is, the business defines a number of areas of capability that are important and then gets people to rate their relative importance.

\* McKinsey Quarterly survey, March 2004

We wondered if there was a more open way of obtaining a really insightful and meaningful picture of the development needs in business. In particular, we were interested in answering two key research questions:

- What are the overall most common development needs in business today?
- How do development needs differ according to:
  - Job level
  - Gender
  - Sector
  - Organisational function

### What did we do?

To address these research questions, we used the tried and tested method of 360 degree survey to collect the views of people's bosses, colleagues and direct reports. The 360 degree questionnaire had two sets of items. The first was a series of descriptions of behaviours which people rated according to how strongly they agreed or disagreed with the statement. The second set consisted of three open-ended questions where respondents could write whatever they wanted. The questions were: 'He/she is particularly good at...', 'He/she needs to learn to...' and 'Any further comments'.

The advantage of the open-ended questions was that respondents were free to respond in any way they chose. Therefore, it was possible to gain a richer and more accurate picture of the individual.

### Sample

We selected a sample of 360 degree questionnaires from our database in order to cover a range of organisations and sectors. The research sample was made up of the following:

- 250 employees
- 21 organisations
- 11 sectors:
  - Retail, manufacturing, financial services, legal, accountancy, engineering, utilities, telecommunications, media, health care, public sector
- 30% female, 70% male
- Job levels:
  - 22% non managers
  - 39% managers
  - 38% managers of managers

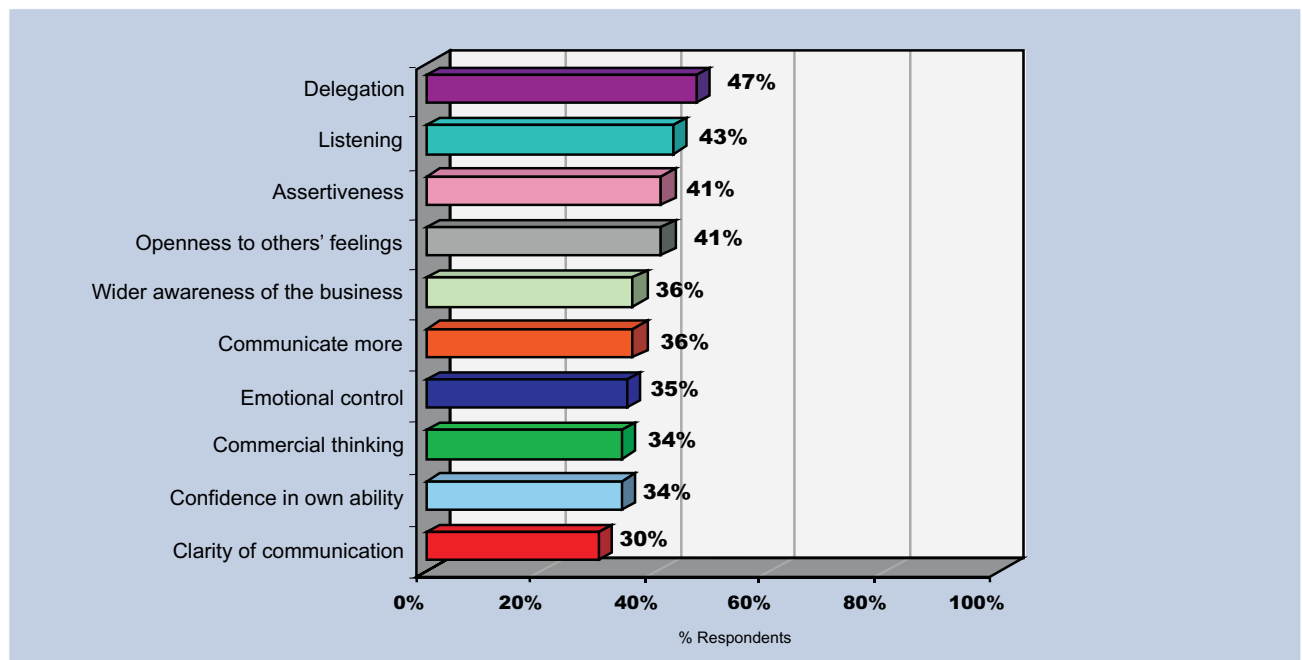
### Analysis

We analysed the responses to the 'He/she needs to learn to...' section and categorised them into a number of content themes. There were no pre-conceptions about the categories, we simply looked for patterns in what people had written.

Once we had created the list of development need categories, we analysed each questionnaire and recorded when each category was mentioned for an individual. In all, 3131 development needs were classified into 59 categories.

## What are the most common development needs in business today?

### Overall top 10 development needs



There appear to be some development needs which are present across the board, with up to 47% of all people in the sample having the same development need. This suggests that there are some key areas where targeted development solutions would benefit large numbers of people in the organisation.

The findings confirm the assertion that a range of capabilities is needed in order to perform effectively in business. Looking at the top 10 alone, there are skills in the areas of:

- **Emotional intelligence** (listening, openness to others' feelings, emotional control)
- **Communicating** (assertiveness, communicate more, clarity of communication)
- **Thinking** (commercial thinking)
- **Inner motivation** (confidence in own ability)
- **People management** (delegation)
- **Business awareness** (wider awareness of the business)

### How do development needs differ according to job level?

The results indicate that **delegation**, **emotional control** and **listening** are development needs which are reasonably equally present at each of the three job levels. However, there are some clear differences in the development priorities according to job level.

## Managers of managers

Managers of managers' development needs centred around three key areas:

- **Emotional intelligence:** Listening (52%) and openness to others' feelings (47%) were significantly more common as a development need for managers of managers. Emotional control (38%) was also notably more common at this job level. This confirms previous research evidence indicating the criticality of emotional competence in leadership positions (e.g. Goleman, 1998). Our own research into what makes successful senior managers showed that openness to others, emotional balance and interpersonal warmth were key differentiators (Crump, 2001).
- **Strategic thinking:** The results revealed that wider awareness of the business (43%) and big picture thinking (34%) were significantly more frequently identified as a development need at this job level. These findings appear to reflect the fact that senior managers are required to think broadly about the business and define strategic direction. Consequently, they are more often perceived to need development in these areas.
- **Decisiveness:** Significantly more of Senior Managers were seen to need to be more forthright and confident in making 'unpopular' decisions (33%).

## Managers

Development priorities for managers appear to be:

- **Self-confidence:** Confidence in own ability (39%) and raise profile (39%) were significantly more common development needs amongst managers. The results suggest that it is critical for managers to have a strong sense of self-belief and proactively build their reputation in the organisation.
- **Assertiveness:** A significant number of managers were perceived to need to be more willing to challenge views and put forward opinions (51%).
- **Emotional intelligence:** The relatively high frequencies of emotion-related capabilities (listening: 39%, openness to others' feelings: 45%; emotional control: 33%) indicates that being able to manage one's own and others' emotions are critical skills for managers at all levels.

## Non-managers

The notable results for non-managers were:

- **Delegation:** It is interesting to note that delegation (46%) was the most frequently occurring development need for non-managers. The explanation for this unexpected finding could be that the 360 surveys were typically conducted in relatively senior populations in the organisations. Therefore, non-managers were often senior technical specialists such as strategy planners, company secretaries and compliance experts. Like their managerial colleagues, these people are reported to need to be better at empowering colleagues to carry out their work.
- **Mixed profile:** There were few clear patterns in the profile of development needs for non-managers in comparison with other job levels. This suggests that it is difficult to generalize about the likely development needs of non-managers as they are likely to vary considerably according to the specific role and function of the individual.

## How do development needs differ according to gender?

The results indicate that males and females share similar development priorities in the areas of **delegation**, **emotional control**, **commercial thinking** and **clarity of communication**. However, there were some distinct differences across the two genders.

### Males

Development priorities for men were in the areas of:

- **Engaging others:** Noticeably more males were reported to be detached and uncommunicative (39%) and identified as needing to be more active in sharing information (23%). Conversely, the percentages of women were 28% and 12% respectively.
- **Broader business awareness:** A notably higher proportion of men were seen to need to increase their appreciation of the operations of different areas of the business and the wider commercial environment (38%). This was compared to 29% of women.

### Females

The key development needs for women were in relation to:

- **Assertiveness:** A significantly larger percentage of women were reported to need to develop their ability to assert themselves (55%) and challenge others' opinions (21%). Amongst men, these development needs occurred in only 36% and 10% of individuals respectively.
- **Self-confidence:** The findings suggest that women need to develop more belief in their own competence (48%) and be more active in building their profile in the organisation (41%). Both these development needs were significantly more common in women than men, where the percentages were 27% (confidence) and 20% (raise profile).

## How do development needs differ according to industry sector?

The sample size allowed analysis of the common development needs in manufacturing, legal, accountancy, engineering and utilities sectors. Looking across these sectors, there were some differences in the frequencies of the development needs.

### Manufacturing

Development needs that were notably more common in manufacturing were:

- **Emotional intelligence:** Employees in manufacturing more often had development needs in relation to their ability to read and respond to other people's needs (54%), and manage their emotions effectively (46%). Listening (51%) was a significantly more common development need in this sector. In addition, 29% of people were reported to need to become more tolerant of those less able.
- **Communication:** Employees were commonly seen to have several development needs in the area of interacting and communicating with others. 46% needed to become less detached and uncommunicative, 29% needed to be better at adapting their communication style to different people.

## Legal

Employees in the legal sector more commonly had development needs in the areas of:

- **Self-confidence:** Almost half of people were seen to need to develop greater belief in their own ability (49%) and become more confident in developing their organisational profile (49%). Both these development needs were significantly more common in the legal sector.
- **Emotional control:** Developing the ability to control one's emotions in stressful situations (49%) was identified more commonly as a development need in this sector. In addition, a large proportion of employees were identified as needing to relax more in their work (26%).

## Accountancy

Notably more frequently occurring development needs in accountancy were:

- **Commercial 'know how':** Significantly more employees were observed to need to improve their awareness of business dynamics, such as profit generation, margins and utilisation (51%). It was also notable that almost a third were seen to need to develop a broader appreciation of the operations of different parts of the business and the market (30%).
- **Customer focus:** Accountancy employees were significantly more frequently identified as needing to develop a better understanding of what the customer wants and respond accordingly (35%).
- **Openness to feedback:** Employees appear to need to get better at accepting feedback and not dwelling on or getting upset by criticism (32%). This development need was significantly more common in this sector. The results may have links with the finding that 35% of people were reported to need to develop greater self-confidence.

## Engineering

Employees in engineering more commonly had development needs in the areas of:

- **Business awareness:** Significantly more employees had commercial thinking (45%) identified as a development need. In addition, more than half were reported to have a parochial focus and a need to develop a broader appreciation of different areas of the business and the economic environment (52%).
- **Emotional competence:** A large proportion of employees were perceived to need to develop greater understanding and sensitivity towards people's feelings (45%). Listening was a development need for 45%, whilst better emotional control was a concern for 38%.
- **Self-belief:** A significantly higher percentage of employees in this sector would appear to benefit from increasing their levels of self-confidence (41%).

## Utilities

Notably more frequently occurring development needs in this sector were:

- **Strategic thinking:** Narrow thinking was found to be a common problem in the utility sector. A significantly higher proportion of employees would benefit from developing their appreciation of different functions and the business environment (50%), whilst 40% were reported to need to develop a 'big picture' outlook.
- **Openness to others:** Anticipating the impact on others' emotions (45%) and listening (42%) were relatively more common development needs in the Utility sector. Patience with those less able (34%) was also a very common development need.

## How do development needs differ according to organisational function?

The data set in this study supported analysis of the most frequently occurring development needs in CEO/Managing Director, finance, legal, human resources, and technical functions.

### CEO/Managing Director

The development needs that were notably more common for people in this function were:

- **Emotional intelligence:** Those at the top of the organisation were significantly more commonly seen to need to become better at listening and taking others' views on board (52%). In addition, a large number were perceived to need to manage in a way which was more sensitive to other people's feelings (45%).
- **Making 'tough' decisions:** A significantly higher proportion were perceived to need to be more willing to make unpopular decisions and take a firmer line (45%). This indicates that many employees want their leader to take more decisive action and tackle business issues and 'problem people' more directly.
- **Communicating:** CEOs and Managing directors were often seen to need to be better at disseminating information around the business (38%). In addition, 41% were perceived to need to interact and communicate more with people.
- **Strategic thinking:** More than half were identified as needing to develop a broader awareness of the business and the economic environment (52%). This was significantly higher than in other functions.

### Finance

Employees in finance more frequently had development needs in the areas of:

- **Business understanding:** Commercial and strategic awareness appear to be particular areas of concern. Employees were often seen to need to develop commercial thinking (45%), a more strategic outlook (29%) and a less localised awareness of the business (36%).
- **Customer focus:** Understanding the diversity of customers' needs and how to tailor service accordingly was a significantly more common development need in the finance function (39%).
- **Self-confidence:** Developing higher levels of self-assurance was highlighted as a development need for 43% of employees.

### Legal

The following were noticeably more common development needs in the legal function:

- **Communicating:** Employees were reported as needing to become more assertive (54%) and less detached from others (42%).
- **Team working:** Adopting a more collaborative, team oriented approach was identified as a development need for nearly a third of people (30%).
- **Self-confidence:** Having inner confidence (44%) and proactively building a positive profile in the organisation (40%) were frequently occurring development needs.
- **Emotional control:** Keeping emotions 'in check', avoiding mood swings and remaining calm under pressure (47%) were key areas of concern in the legal function.

## Human resources

Employees in HR, training and personnel more frequently had development needs in relation to:

- **Openness to others:** A significantly higher proportion of this population needed to develop better listening skills (60%). In addition, being more attuned to people's emotional needs (55%) was frequently identified as a development need.
- **Assertiveness:** Being more willing to say 'no' and put forward views (45%), as well as challenging opinions at all levels (45%) were significantly more commonly highlighted as areas for development.
- **Self-belief:** Half of employees were identified as needing to develop greater confidence in their own abilities (50%), whilst 35% were thought to need to be more active in developing their profile in the business.

## Technical

This function more commonly had development needs in relation to:

- **Communicating:** A clear theme emerged in the results indicating that a key area of focus for technical specialists should be developing their social and communication skills. Becoming more forthright (42%) occurred relatively more frequently as a development need, as did greater clarity when giving information and instructions (39%). In addition, a significantly higher percentage of employees were perceived to need to be more outgoing and make their presence felt in the organisation (39%). Taking steps to involve and consult others (31%) was also notably common as a development need.

## Conclusions

The results indicate that there are some development needs which are common across organisations, regardless of job level, gender, sector and function. This suggests that it would be beneficial for organisations to have solutions available to help people develop in the areas of people management, emotional intelligence, communication, self-confidence, decision making and business understanding.

In light of reports that UK businesses are less productive than those abroad, it is notable that delegation is the most frequently occurring development need. A workforce which is unwilling to fully entrust work to others and empower people will be less efficient because, by implication, people are carrying out tasks that could be passed to others.

The prevalence of delegation as a development need may reflect the common observation that few managers today are trained on how to manage people. For example, knowing what work to delegate, how to decide who to delegate it to and what to do once the work has been passed on to others are essential skills, but are very rarely formally taught in business. It is often the case that if people are required to analyse balance sheets, they are trained in 'finance for non-financial managers', if they need to design IT, they receive 'systems analysis' training. When it comes to managing a team, people are expected to 'pick it up as they go'.

The results presented here offer a challenge to organisations. There is clear evidence that development is beneficial for both individuals and organisations. However, with 59 categories of development needs identified, there are too many different areas to tackle individually. One way forward could be to look at the psychological skills which underpin each of the development areas. Targeting the causes of behaviour rather than the behaviours themselves could enable interventions to address a variety of development 'symptoms' simultaneously.

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