By-standers in the global war for talent?

Finnish and Global Executives' Assessments of Their Talent Management Practices

By Boris Groysberg and Kalle Heikkinen

STRATEGY & TRANSACTIONS

About the Survey

For the past four years, a group of C-level Finnish executives have responded to an annual survey that solicited their assessments of their companies' performance on drivers of organizational performance. Since 2008, the Finnish management consulting firm NAG has hosted an annual forum for top executives in Finland. The participants, all C-level managers, represent prominent private, public and state-owned companies, ranging from traditional industrials to financial services. The events consist primarily of case discussions and presentations on the latest thinking about leadership, innovation and talent management. The participants in our survey have been attendees at the NAG forum.

Each participant was asked to distribute the survey to five peers at his or her company; thus, in most cases, several executives from each firm completed the survey. The survey was conducted in 2009, 2010, 2011 and 2012. Its questions asked respondents to rank their companies against peers on leadership, innovation, organizational design, strategy, culture and human capital. The survey also asked six open-ended questions about the company's current strengths, weaknesses, threats and opportunities. We received 271 responses from 40 Finnish organizations: 47 in 2012, 55 in 2011, 86 in 2010 and 83 in 2009. This paper examined the participants' responses in 2012, and compares their responses to those of a set of global peers who responded to the same survey in 2012.

In 2012, an identical survey was also administered to participants in an executive-education program at Harvard Business School. Program participants were senior corporate executives representing every continent and multiple industrial sectors resulting in 3,600 responses from about 350 companies to calculate global average scores. We then used these scores to compare the Finnish executives' rankings to those of their global peers. Both sets of surveys were conducted in English.

About Authors

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It has been widely known that having strong talent in key positions creates significant improvements in a company's performance. Therefore, a global talent war has emerged. This talent war is not just about attracting top talent, but also about its retention and leveraging. Human resources have to be deployed strategically and optimally to maximize its value. The best companies have comprehensive and well-thought out talent management systems, processes, policies and practices that build on their business strategies.

As part of a global survey, we specifically compared Finnish companies versus global organizations, to understand where Finnish firms stand in their talent management practices. We explored this question because traditionally, the Finnish culture, their public policies and even corporate practices valued equality tremendously. Recognizing and cultivating top talent was not widely practiced or preferred. The traditional practice was taught early on. Pasi Sahlberg, author of Finnish Lessons, What can the world learn from educational change in Finland[1], gave insight into the Finnish cultural view when he added, "it is possible to achieve excellence, not by focusing on competition, but on cooperation."[2]

Today's environment, however, demands that most Finnish companies compete in global marketplaces. Finnish companies have to learn how to compete for the best diverse global talent. For Finnish executives, this requires a change in many established practices.

Overall findings

On average, Finnish firms appeared to be less active participants in the war for talent than their global peers. Of the 37 measures of talent management practices, Finnish senior executives scored lower than their global peers in 27 measures.

The greatest gaps between the Finnish companies and their global peers were in the following areas:

- Finnish companies were less active in seeking talent from outside their firms
- Finnish companies scored lower in creating a high-performance culture
- Finnish companies scored lower in ensuring a strong talent bench
- Finnish companies had issues in aligning talent management strategy with the overall corporate strategy
- Finnish companies scored lower in managing star performers

To balance this, Finnish companies had better scores than their global peers in the areas of succession planning and employee communication (see Tables 1 & 2 on page 5).

The survey suggested that Finnish firms did well in some human resource practices and processes. However, they fell short in many others.

[1] http://www.finnishlessons.com/

[2] https://benjamindavidsteele.wordpress.com/2012/01/03/capitalist-us-vs-socialist-finland/

Finnish results in a global comparison

Our study results highlighted several areas that required more focus if Finnish firms are to be successful over the long-term within the global marketplaces.

Finnish companies appeared to be not as active as their global peers in identifying, seeking and attracting talent.

This fact was reflected in the comparatively low scores for "Scanning outside their firms for talent" (-19.4% vs. global peers) and "Filling open job positions from the outside" (-15.6% vs. global peers). Perhaps finding talent with the right skill-sets from the outside was harder for technologically focused Finnish firms. Research also showed that attracting stars from the outside was not necessarily a winning strategy, since star performers often tended to do poorly in their new corporate settings. On the other hand, many outsiders brought new ideas and perspectives that allowed firms to change and innovate. A bigger threat for Finnish firms was their inability to identify talent within their firms. It was somewhat surprising that the Finnish had low marks in their effectiveness in "Scanning your firm for talent" (-14.7% vs. global peers). Many Finnish firms just could not identify and deploy even internal talent effectively.

Finnish companies had low scores in creating high-performance culture.

Finnish companies scored 20.0% lower than their global peers in this area. Encouragingly, Finnish executives were aware of this problem. One executive said, "*We are not setting the bar high enough*". Another executive concurred: "*We are not a high performance organization or culture*". Culturally speaking, Finland did not encourage competition, but rather encouraged democracy. To identify high performers required that distinctions be made amongst employees. Many Finnish executives explained that all people in an organization play an important role, and that their input should be more or less equally valued. As such, many believed that to identify and encourage a high-performance culture would conflict with the Finnish culture. The challenge was that being a high performance organization that hired, developed, promoted, retained, and leveraged high performers was a necessity in order to win in the global marketplace where talent was increasingly the source for a competitive advantage.

Finnish companies scored low in building or leveraging a strong talent pipeline.

Several survey questions were asked in regards to this matter, and Finnish companies scored lower than their global counterparts on: "Having talent in all key positions" (-15.6% vs. global peers), "International assignments" (-14.3% vs. global peers), "Managing talent pipeline" (-12.9% vs. global peers), "Sharing talent across divisions/departments and functions" (-15.6% vs. global peers), "Leveraging human capital" (-12.1% vs. global peers) and "Retention" (-13.9% vs. global peers). One Finnish executive summed his firm's problems in this area as he stated: "*We are not good in managing talent*". Given the demands of the global marketplace, it was worrisome that the measure "International assignments" had the lowest score of all from the Finnish executives (score: 2.4 out of 5). Developing

Table 1. Factors where Finnish companies had the greatest gaps relative to their global peers

How effective is your company on:	2012 measure Finland	2012 measure Global	Finland vs. Global difference %
Creating high-performing culture	2.8	3.5	-20.0 %
Scanning the outside environment for talent	2.5	3.1	-19.4 %
Sharing talent across divisions/departments/functions	2.7	3.2	-15.6 %
Having talent in all key positions	2.7	3.2	-15.6 %
Filling open job positions from outside	2.7	3.2	-15.6 %
Managing stars	2.8	3.3	-15.2 %
Supporting your talent	2.9	3.4	-14.7 %
Scanning your firm for talent	2.9	3.4	-14.7 %
International assignments	2.4	2.8	-14.3 %
Retention	3.1	3.6	-13.9 %
Managing talent pipeline	2.7	3.1	-12.9 %
Aligning talent strategy with business strategy	2.8	3.2	-12.5 %
Leveraging human capital	2.9	3.3	-12.1 %

Table 2. Factors where Finnish companies had higher scores than their global peers

How effective is your company on:	2012 measure Finland	2012 measure Global	Finland vs. Global difference %
Succession planning	3.1	2.9	6.9%
Employee communication	3.5	3.3	6.1%

Scale: 1 = significantly less than company's peers; 5 = significantly more than company's peers.

a global mind-set and learning about other cultures was a necessary part of developing strong general managers. Considering the fact that Finland was relatively a homogeneous country, "International assignments" might present an opportunity for its managers to be exposed to, and to learn about other cultures. It would lead to more well-rounded talent, and perhaps open doors to ideas, perspectives, skills, and resources that remained untapped. One of the respondents framed this problem clearly: *"There is too much Finnish thinking, too little global thinking."*

Talent strategy is disconnected from business strategy at many Finnish firms.

"Aligning talent strategy with the business strategy" was scored 12.5% lower by Finnish executives than their global peers. We observed that talent and human resource management issues were far too often delegated to HR departments without proper strategic guidance or supervision. In many firms, it was completely disconnected from the firm's business strategy. In the most successful companies, the development of top talent was at the forefront of their CEO's responsibilities and fully integrated within firms' overall strategic process. For example, many great CEOs spent as much as 40% of their time on people issues. Managing talent required more CEO participation and had to be more aligned with the strategy of the firm in Finnish firms. The CEO and the HR team had to work in conjunction to meet the firm's talent objectives in a fashion that best suited the firm's strategic goals.

Finnish companies appeared not to be very strong in managing stars and high potentials.

Finnish companies scored lower than their global counterparts on "Managing stars" (-15.2% vs. global peers). One executive stated, "We are poor in managing stars". Another agreed, "It is hard to attract top talent to our firm". Reflecting the weakness in managing star performers more broadly, "High potential programs" reflected some of the lowest scores in our survey (2.5), being 7.4% lower than for their global peers. In fact, developing and managing high potential employees is a challenge faced by many companies around the world. Perhaps one of the difficulties Finnish executives faced in managing stars was cultural. Finnish executives respected modesty and did not like to emphasize differences in performance among the subordinates. Therefore managers tended to take a low-key approach to managing stars and high potential performers. Many believe that to continue to win in the global marketplace, Finnish companies needed to identify and develop their most talented high potential employees. Additionally, managers had to learn to appropriately reward and motivate their existing stars.

Finnish firms had good human resource processes and policies in several areas.

Finnish senior executives scored higher than their global peers on "Succession planning" (+6.9% vs. global sample) and "Employee communication" (+6.1% vs. global sample). The results confirmed some of our earlier observations that in some cases, the systems and processes in Finnish firms appeared to be working relatively well. Because many Finnish companies were more interested in the long-terms versus short-term results, they paid special attention to succession planning and made deliberate long-term plans for key positions. Finnish executives tended to communicate clearly and regularly with their employees. In fact, traditionally, Finnish companies treated employees as important stakeholders and tended to communicate with them on a regular basis through the traditional communication channels.

Conclusions

Essentially, the cultural differences and social practices of Finnish companies parted them from their global peers in many talent management practices in this study. The Finns avoided making distinctions between their employees in regards to their performance, and fostered an environment of teamwork where everyone's opinions and input was equally important. These differences seemed to impact their executives' behaviors while conducting business, which could lead to the presence of a competitive edge for their global competitors who were less likely to avoid controversy that might have surrounded these distinctions. If Finnish companies were serious about maintaining their strong positions in the global marketplace, they had to improve their focus on the following areas:

1. Finnish companies needed to pay more attention in creating high-performance culture. Many Finnish firms in this survey performed reasonably well because of their superior products, services and processes. We wondered if they could perform even better if the bar was set higher, and if they were better equipped to attract and leverage top talent. Furthermore, to be successful over the long-term, they would need to develop and manage high-performance cultures.

2. Finnish companies needed to align talent management with company strategy. We found that in many Finnish firms, much of the human resource development had been delegated to the HR function and completely disconnected from the company's strategic goals and objectives. We would have liked to see more ownership of talent management by CEO and top executive team and see them be more involved in people development. Finally, a more active strategic dialogue between the top management team and HR was a must.

3. Finnish companies needed to create better systems for ensuring a strong talent bench and for leveraging of talent. Especially, they had to improve their programs for developing more global and diverse general managers. Who you hire/promote is what you become. Thus, the talent management system needed to be created that allowed proper sourcing and development of talent.

4. Finnish companies had to put more focus on managing stars and identifying/developing and promoting high potentials. The Finnish culture did not traditionally reward exceptional performance. Companies that were not going to take care of their talent were in danger of losing their best people to competitors in a more global and more fluid labor markets.

5. Finally, companies could not build great talent management systems without making sure that all processes were executed well by capable general managers, including tasks such as performance management, giving feedback, and employee communication. At some companies, the inconsistencies in many of these talent management practices were driven by inconsistencies in general managers' capabilities and their desires to use them.

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