

CORNELL HR REVIEW

TALENT ACQUISITION VS DEVELOPMENT: WITH A FOCUS ON LEADERSHIP DEVELOPMENT PROGRAMS

Nikita Gusain

Global competition and an evolved business landscape has led organizations to take measures to learn and grow at an accelerated pace. With developed economies moving towards the service industry, human capital and its development have become key business prerogatives. Businesses are constantly competing for talent. “Since high potential talent is in high demand, companies who are unable to readily buy talent are turning to growing their own talent in-house.”¹ Leadership development and developing a pipeline of leaders are consistently the number one or two priorities for HR leaders globally. A SHRM report shows ‘improving leadership development’ as the number one priority of HR in 2007 and this is expected to be the number two priority in 2015. Leadership training and development will most likely be the top priority for Chief Learning Officers². Identifying and developing high potentials are the primary focus areas of talent development. Organizations are now recognizing the need for focusing leadership development efforts on early stage high potentials. “While continuing to invest heavily in late stage high potentials, the earlier we start focusing on early stage high potentials the greater their impact on the organization will be”.³ This recognition has resulted in leadership development programs designed for recent graduates intended to accelerate the development of leadership skills. Rotational leadership development programs for high potential new hires are the norm for most large organizations today. They not only help organizations develop their leadership talent pool, but also make them attractive employers for talent that is in high demand. Thus, these programs are not just a talent development tool but also help with talent acquisition. However, the fact remains that these programs are often very costly. Kuok and Bell studied HR Leadership Development Programs at 16 organizations and found that the annual costs of sponsoring each program candidate ranged from \$90,000 to \$250,000 with large variations between programs. Although the benefits from these programs are supposed to far out-weigh the costs, currently there is no way to ensure the sponsored high potentials will stick around long enough for the organization to start reaping the benefits of these leadership development efforts. Does it make more sense then, to stop making such large-scale efforts on early stage leadership development and instead shift the talent strategy from make to buy?

Do Costs Exceed Benefits

Leadership development programs for new hires are not only costly to develop, implement, and execute, but their returns are not visible immediately or even two to three years after the

program. It may take a long time for efforts to fructify, and therefore it is important to ask whether the program benefits outweigh the costs. Today, most organizations do some form of evaluation to assess the effectiveness and success of their leadership development programs. Mostly, organizations use measures like retention, performance ratings, promotion, and satisfaction levels as metrics to monitor program success.⁴ A cost-benefit analysis is done through the Return on Investment (ROI) measure. Leadership development programs for recent graduates have been around for a long time now, but their ROI has only recently been brought into discussion. Even in 2004, when Kuok and Bell studied HRLD programs of 16 organizations, only one program was doing ROI calculations. It is difficult to estimate the benefits of a leadership development program. Organizations should think of their HRLD programs in terms of needs assessment or the objective of the organization behind conducting them. If the objective is to create an internal leadership talent pool to avoid hiring from outside due to high costs, then organizations should do a comparison of the cost of creating an internal leadership candidate through such a program and the cost of bringing in an external candidate, which will help them understand the benefits. If the objective is to attract talent from the best universities through the program, then the organization should look at the increase in candidate applications as a result of the leadership development programs, and determine a dollar value for the benefit of increased applicant pool. There can be different ways to estimate ROI but it should be done nonetheless, especially as organizations today generate and capture a lot of data.

Whatever way is used to estimate ROI, retention of the candidates is an extremely important factor for enabling the organization to make full use of its investment, however in some cases retention may not be the driving factor for program success. As stated earlier, success depends on the objective of the program. In those cases where retention is a key indicator of success, can we say that the costs of these programs exceed the benefits because participants are free to leave as soon as they wish? There cannot be a simple yes or no answer to this. The best answer can only be, 'it depends'. The success of these programs will depend on how well managed they are, how much the organization tracks participants after completion of their programs, and how the organization makes efforts to retain participants. When done well, these programs do help with retention of employees. Such programs have been hugely successful at some organizations, while they did not meet expectations at other organizations. At organizations where a good number of these participants move up the ranks to senior positions, the organization gains an advantage by having an in-grown loyal leader and immense cost savings along with risk avoidance by not hiring an external candidate. However, some people believe that hiring externally may not be so bad and in many cases actually desirable.

Make or Buy: Acquisition vs. Development

No organization can survive with either a solely 'make' or 'buy' strategy. Talent management is a delicate balance between the two. Most organizations do both talent acquisition and development in varying ratios, and within an organization this ratio will fluctuate with market

conditions, organizational strategy, state of the economy, and other factors. “An optimal approach would be to use a combination of the two. The challenge is to figure out how much of each to use.”⁵ Despite the likelihood of attrition, “it still makes sense to develop talent internally where we can because it is cheaper and less disruptive.”⁶ Moreover, since we are talking about leadership development programs, these should potentially save costs for the most expensive kind of employees: the leadership. The monetary benefits of other development initiatives will be small compared to a successful leadership development program. The advantage from talent development is homegrown leaders who understand the business well and are loyal to the organization. Promoting employees internally creates upward movement for them and makes them more engaged and satisfied. Internal growth opportunities also attract potential applicants. The known-devil approach means there is less perceived risk with an internal candidate compared to an external candidate. A disadvantage of talent development is that it is a slow process. For sudden peaks in talent requirements, we need to source candidates from outside and cannot wait for the internal development process to churn out talent. Also, we cannot exactly predict the future needs for talent. The leadership skills which we are focusing on today may be irrelevant tomorrow. Organizational priorities may change, and we may need different kind of people. There are also several complexities associated with talent development, such as attrition, tracking career paths, internal dissatisfaction among employees who are not part of development programs, etc. On the other hand talent acquisition is much faster, the organization can get even those skills that it currently does not have at all, and it is more responsive to changing business objectives. However, talent acquisition is also costly and risky. Thus there are pros and cons to both strategies of make (talent development) and buy (talent acquisition), and therefore organizations should leverage both for its talent needs.

Maximizing Benefits from Leadership Programs

Why do high potentials coming out of these programs leave when the organization has made such efforts for their development? Research shows that these people often leave because they feel lost within the organization after the completion of their programs. Nobody continues to pay the same amount of attention to their careers as before. A sense of breaking of the psychological contract with the organization sets in, and these employees become disengaged, leading them to quit at the first viable opportunity to where they feel they will get opportunities for growth. This often happens at the two to three-year mark after completion of their programs.

An easy strategy to maximize the benefits of these programs would be to focus primarily at this two to three-year mark. Efforts should be made to keep these program graduates engaged by continuing to give them challenging assignments and opportunities for learning. In order to do this, it will be necessary for the program alumni to be tracked for career movements, growth, satisfaction, performance, engagement etc. An effort should be made to also market-correct their salaries to reduce the incentive for moving to another organization. Mentorship opportunities

should be made available to them proactively so they can get career advice and guidance from role models within the organization.

In conclusion, leadership development programs for new graduates are a powerful tool for attracting and developing talent. However, evaluation of these programs in terms of their return on key objectives and ROI is crucial to understand whether they make sense for the organization. Organizations should balance talent acquisition and development and always have some internal development programs, particularly for leadership development. Finally, to maximize return from these programs, it is important to continue to look after the growth and progression of program alumni and keep them engaged and motivated. §

Nikita Gusain is completing the third semester of her Masters from the Industrial and Labor Relations Program at Cornell University. Upon graduation, she will be working for Amazon as a Program Manager for Associate Development in the Learning & Development area. Nikita is working as a Teaching Assistant for an undergraduate Human Resource Management Course at the ILR school. She also continues to run her executive search firm in India, where she has partnered with some of the biggest businesses of India along with venture capital backed start-ups, to help her clients hire leadership and middle management talent in six different countries.

¹ Kuok, Bell (2004, December). Design, Implementation, and Evaluation of HR Leadership Development Programs. Cornell University, ILR School, CAHRS Working Paper Series. Retrieved from <http://digitalcommons.ilr.cornell.edu/cgi/viewcontent.cgi?article=1001&context=cahrswp>

² Chief Learning Officer Magazine (2016, February). A Look Ahead: Learning in 2016. Retrieved from http://www.clomedia-digital.com/read-clo/february_2016?pg=48#pg48

³ Chief Learning Officer (2005, October). Identifying and Cultivating High-Potential Employees. Retrieved from <http://www.clomedia.com/2005/10/28/identifying-and-cultivating-high-potential-employees/>

⁴ Kuok, Bell (2004, December). Design, Implementation, and Evaluation of HR Leadership Development Programs. Cornell University, ILR School, CAHRS Working Paper Series. Retrieved from <http://digitalcommons.ilr.cornell.edu/cgi/viewcontent.cgi?article=1001&context=cahrswp>

⁵ Peter Cappelli (2008, March). Talent Management for the Twenty-First Century. HBR. Retrieved from <https://hbr.org/2008/03/talent-management-for-the-twenty-first-century>

⁶ Peter Cappelli (2008, March). Talent Management for the Twenty-First Century. HBR. Retrieved from <https://hbr.org/2008/03/talent-management-for-the-twenty-first-century>