Battle for talent

Management skills will be increasingly important at the expense of technical competencies

Train people well enough so they can leave, treat them well enough so they don’t want to.

Richard Branson
Talent is, and has always been, the *conditio sine qua non* for survival and success: it is never absent in human creations and achievements. A historical example of the presence of talent is the splendour of classical Greece. Pericles, one of its greatest agents, was a keen communicator, politician and strategist who attracted towards himself the best talents of his age: philosophers, historians, mathematicians, architects, artists and writers. Under his leadership, theatre flourished, mathematics went through a huge development, and Athens became more beautiful. He devised the ambitious and brilliant project for the construction of the Acropolis, including the Parthenon, whose development was possible through the presence and work of the best talents of that golden age of humankind.

Talent is scarce, and that is why organisations struggle to find and attract the best. Thus appears the battle for talent, where participants strive to include the best in their own ranks and improve guarantees for successful execution of any project, bypassing and facing any possible difficulties. Creation, realisation and sale of any product or service cannot be conceived without human participation, and any organisation that wishes to shine will not be able to without great talents. The battle for talent is fought on four different fronts:

An added problem to the battle for talent is the possibility of a derailment of an executive within the organisation. This refers to the possibility that the executive is not effective enough in his/her new leadership skills, and fails as his/her career advances and more interpersonal, conceptualisation and diagnostics abilities are required rather than actual technical skills.
Seizing the challenge

As leaders ascend towards higher management, they may succumb due to an inadequate proportion of the skills necessary in each stage. This derailment is a challenge for the organisation, both in terms of identification and development of talent. New demand is observed for capabilities for effective interpersonal relationships, conceptual thinking and diagnostics of new situations.

The following describes briefly the skills necessary for leaders in their way towards upper management, at the expense of technical skills.

Interpersonal skills

The duty of the leader is to achieve objectives by channelising people, and this is not possible without social or interpersonal skills. Interpersonal skills in leadership follow these objectives:

- **Operational**: to ensure coordination and cooperation among people that must trust each other in order to complete their tasks.

- **Personal**: the personal network may be a secure place for personal development and, as such, for development of the foundations of the strategic network.

- **Strategic**: the strategic network connects the leader with a series of relationships and information which enable achievement of the organisation's strategic objectives.
Conceptual skills

Concepts are discovered through action and are based on reality, not on ideas, fantasy and hypothesis. That is, concepts are operable. Conceptual thought involves starting from reality and creating abstractions to reach a concept that can be "brought down to earth" or made operational.

The leader's task in relation to conceptual skills consists in:

- Understanding conceptually the organisation's reality.
- Making concepts operational and developing actions for adapting to new realities.

Diagnostics skills

A changing and increasingly complex environment requires the development of the ability to diagnose in an accurate way. Diagnostics deal with "what is" and "what is not" through collection and subsequent analysis of data to evaluate areas of interest. Diagnostics skills enable leaders to:

- Recognise key symptoms to prevent standstills or impasses and prevent failure in organisational learning.
- Identify which situation the organisation is currently in, to be able to make decisions and carry out appropriate actions.
- Recognise which actions are necessary in order to achieve an adaptive change when faced with external changes.

Apart from having and developing the described skills, there may be other reasons why the executive suffers from this unwanted effect. The following are some reasons that may lead to derailment during ascension within the organisation:

- Inability to change and adapt during a transition
- Inability to construct effective interpersonal relationships
- Failures in building and leading a team

At the beginning of an internal auditor's career, specific technical abilities are required to practise the profession within a given area. However, as the professional is promoted towards management levels, interpersonal skills, such as an effective communication, are more relevant. An internal audit manager will have developed by necessity conceptual and diagnosis skills. These skills are essential to carry out audit management tasks, due to the complexity of relationships and the level of intercommunication within the organisation.
Graving the opportunity

Identification

*There is something more rare, fine and hard to find than talent. It is the talent to recognize the talented.*

Elbert Hubbard

The first challenge faced by any organisation to include the best is identification of talent existing outside of the organisation. This identification is based on maintaining an active search strategy with a resource investment in line with the size and difficulty of the project. This search for talent involves the use of instruments and tools to measure personal capabilities which are not free of methodological problems and must be clear.

Firstly, any applied tests must have a sufficiently high enough reliability and validity. Reliability refers to the whether the measurement instrument always does so with the same precision. And validity, whether it measures what it has or says it measures. It can be said that "intelligence is what evaluates intelligence tests", which brings some light on the validity issue. We may be measuring one dimension of talent with great precision, but leaving many others out of our radar. Interviews may present the same problems: not having measurements which are reliable and valid enough, as the evaluation of an individual may be contaminated by the evaluator's subjective impressions.

On the other hand, the great number of variables involved in the behaviour of an individual in an organisation, such as the ones described, makes the application of a huge number of test batteries and personal interviews that precisely measure individual talent, an infeasible task. In many cases it is better to have knowledge of what has been done before and what is being done: experience. Having carried out a certain activity to a high level of execution in the past predicts its future occurrence much better than psychometric measurements or other types of evaluations, such as interviews. In this way, identification of talent external to the department or organisation is similar to the scouting activities carried out by the relentless NBA scouts, that seem to guess well when finding talents for the required positions.
Within the terrain of talent constructors or dimensions, it is enlightening to discuss Howard Gardner’s theory of multiple intelligences, which claims that we can better define individuals by assuming that they have a set of relatively independent intelligences instead of one single unitary intelligence. In Gardner’s view, the theory of multiple intelligences has helped to break the monopoly that psychometrics professionals have exerted over intelligence.

The concept of intelligence is the potential that each human being has, in a higher or lesser degree, and the author defines ten different types of intelligence that cannot be measured by normalised tools such as IQ, but can still be observed and developed.

*Intelligence tests are only the tip of the cognitive iceberg.*

Gardner points to the fact that during the second half of the XXth century, our understanding of the mind and the brain has changed radically, indicating that the brain structure is composed of many separate faculties or modules, which brings about the following dilemma:

- Continue with the traditional notions on intelligence
- Develop a different and improved manner to conceptualise human intellect

*Intelligence is too important to leave it solely in the hands of the administrators of these tests.*
The MI model initially described 7 intelligences, expanding them to 10 in a later revision. As the key factor in the organisation is leadership and is based on great talent for interpersonal, linguistic and intrapersonal intelligence, these are described below:

Linguistic: special sensibility for spoken and written language, and capacity for learning languages and using language to achieve certain objectives.

Interpersonal: capacity for understanding intentions, motivations and wishes of other people and, consequently, for working effectively with other people.

Intrapersonal: understanding oneself, having a useful and effective model of oneself - which includes wishes, fears, and capabilities - and of using this information efficiently for regulating one's own life.

The challenge of identifying talent for including the best and avoiding derailment must include, at least, linguistic, interpersonal and intrapersonal intelligences, as well as conceptual and diagnostics skills, taking into account the reliability and validity problems of tests, personal interviews and knowledge of the candidate’s experience.

From the point of view of Gardner, internal auditors require, from the beginning of their career, great abilities in Linguistic intelligence, as the product of an audit is a written report. Excellent data collection processes and analyses can be impaired if they are not expressed adequately. They also require high skills in interpersonal relationships, as the interviews with the audited are among the main sources of information for the internal auditor. The internal auditor must work in a comfortable and effective way with other people in order to understand them and extract the required information from them.
Keeping a high standard for selection and recruitment of personnel is, and will continue to be, the most important element in our success.

Jeff Bezos, Amazon CEO

Two key conditions can be seen in the organisational world so that people come to work and are committed to their work activities. The necessary condition is the securing of a financial compensation. The sufficient condition is the presence of the emotional reinforcements that human beings receive from the people around them. A person will not stay a long time in a company that provides large earnings, but from which the person receives frequent negative emotional reinforcements.

For these reasons, an adequate compensation and a good incentives scheme, the perception of an excellent working environment and an adequate cultural atmosphere are all necessary elements in attracting talent.

Great capabilities are observed in all members of high-performing teams. However, talent is not enough in a team. A great talent needs the team in the same way the team needs the talent. One of the key factors to unite a group of people with high capabilities into a high-performance team is the nature of the objective: people must perceive that there is an audacious, realistic and precise objective, or even a fascinating challenge, in which to invest their time and talent.

Multidisciplinary teams are increasingly necessary to achieve high performance in today's world. Consequently, a team of internal auditors with an adequate proportion of technical capacities -such as knowledge of accounting, finance, fraud, data mining and analysis, quality management, cybersecurity and privacy, etc.- interpersonal skills and conceptual and diagnostics abilities offers higher guarantees that their mission of protecting and enhancing an organisation's value will be achieved.
Identification and attraction of the best talent: cases

A great entrepreneur who contemplated the strategic objective of identifying and attracting great talent was Steve Jobs. In his own words: "One of the best things I do is finding a group of intelligent people and doing things with them". Part of the great team at Pixar was presented by Alan Kay, whom he had selected a year earlier for Apple: Ed Catmull, Alvy Ray Smith and John Lasseter.

In the same way, Jobs gravitated brilliant talent to Apple, and defined them as "geniuses of interface design". They were capable, in only a few months, to show him the prototype in which a scroll could be performed with the fingertip, with the idea of getting rid of the tablet keyboard. At that time, Jobs decided to "shelve the tablet project" to focus all resources on the iPhone, working on its development during the following years.

A sporting example that also illustrates the pressing need to attract the best talent is the case of Ferrari, when they brought Ross Brawn and Rory Byrne in to design the V-10 Ferrari engine, and Michael Schumacher as a pilot, in a move that secured their domination of the Formula 1 world during the first few years of the XXIst century.
Two great factors are always observed in the development of talent: motivation and learning. Both are intimately linked, and in a world with ever-increasing vertigo and specialisation, the organisation must pay special attention to both in order to tackle current challenges with higher probabilities of success.

Etymologically, the word "motivation" comes from the Latin word motivus, which means "cause of movement". Based on this meaning, motivation could be understood as the most difficult deficit to cover, compared to lack of skills or resources, which may be compensated in a relatively easy way. Motivation can also be defined as an inner state that activates, directs and maintains a behaviour as a concrete means towards satisfying a need. Another definition says motivation is the impulse towards specific goals or ends. For Leboeuf and Muro, "only things that offer a good reward are done with real involvement".

The first strategy to be followed to improve performance of people within organisations is to convert the current motivation potential in people into real motivation. After that, the motivated behaviour must be directed towards an improved performance.

The key to long-term success for an organisation is to create jobs which simultaneously:

- Optimise productivity and efficiency
- Motivate and satisfy people
People search and respond to a great variety of rewards at work. The organisation as a whole, and its leaders, can manage key factors to capitalise on the potential of motivated behaviour and direct it towards a better performance. The key factors for motivating performance are:

Job position definition
Rotation and enrichment of positions may minimise monotony.

Participation
It is motivating to people to be able to participate in decision making.

Empowerment
Allow people to establish work goals, make decisions and solve problems.

Flexibility of time and space
Trust is achieved by allowing a higher degree of control over daily work hours and working spaces.

Goal setting
A very useful method which provides a frame of reference for administrating motivation.

Performance measurement
Measuring and providing feedback is useful for identifying opportunities and encouraging future improvements.

Rewards
Good incentives schemes, praise and recognition can be significant motivators.

Motivation for high performance of internal auditors may appear to be difficult due to the particularities of the profession, such as a difficulty to define incentives, and limited promotion possibilities due to the fact that work is done in small teams. For this reason, creativity is needed for motivating the auditor's work. Ways of motivating them include challenging projects which offer professional growth, support in difficult times, and social and tangible recognition.
Talent wants to learn, does not want to be stagnant and does not tolerate mediocrity. If the constant is change, then learning must also be so. Within the organisation, people must continue to learn in their technical areas, and, to prevent derailing, in the interpersonal, conceptual and diagnostics areas as well. The design and implementation of a real and effective training plan is an essential strategic element. Furthermore, there should be an effective evaluation of any learning, and how much of it has occurred.

It is relevant to include here Howard Gardner’s thesis that states that intelligence is not static, but changes and evolves over the life span of an individual based on his/her experiences. This author also talks about the consensus that exists about the time required to be an expert in a specific field, indicating that it is close to 10,000 hours of execution time, or 3 hours of daily training for 10 years.

However, Daniel Goldman warns that the 10,000 hour rule is not entirely true. For this psychologist, for becoming an expert it is not enough to complete the hours; it is based more on the way people pay attention when they train or practice. Ericsson indicates that experts train, under the guidance a master, with full concentration, to improve a specific aspect of their execution. The process is not limited, then, to hours of execution, and feedback and concentration are also important.

Goleman identifies two types of focus. The ascending or bottom-to-top is involuntary and automatic, motivated by impulses and emotions and in charge of carrying out our usual routines and guiding our actions. It is the autopilot with which we carry out our daily life. The descending, on the other hand, is slower, voluntary and requires effort. It is responsible for full concentration. This latter form of focus, top-to-bottom, is the cause of learning to achieve the highest standards of performance.

If learning within any domain or activity within the organisation is meant to be real, this fact must be taken into account. For this purpose, the training plan must be effective and participants must be motivated, as it will demand a great effort on their side.
Talent development: cases

Netflix

One of the most challenging and dynamic industries today is the distribution of films. To face the complexities of this market, Netflix hires the best possible talent. Afterwards, and in order to motivate these people, this organisation uses generous monetary compensations, although their best results are achieved when they focus on other needs. Participation and belonging is encouraged in a team where the working atmosphere is casual and collaborative.

Netflix also promotes the satisfaction that every person feels when reaching goals. Talent is drawn in and motivated by the opportunity to carry out a project that has a significant impact, in a successful and always changing organisation.

Hewlett-Packard

This high technology manufacturer requires a flexible workplace to back up the high levels of trust it has in its teams, which are fluid and dynamic. Thanks to wireless communication, people are free from the need to always remain in the same location. They may choose, based on the activity, an open space to work with their laptop with more people around, or silent spaces, ideal for concentration or more private conversations.

People appreciate this possibility of adapting their work space based on the task that needs to be done at the given time. At the same time, Hewlett-Packard obtains a benefit, as it requires less office space and achieves a higher productivity.
The fundamental concept in social science is Power, in the same sense in which Energy is the fundamental concept in physics.

Bertrand Russell

Power appears as a crucial element in commitment, welfare and motivation, and therefore, in the retention of talent in the organisation. There is no consensus on the definition of power and its use in the organisation, but it is an element that is always present in one way or another. The concept of power may be defined (Mintzberg and Kenneth) as the potential ability of a person or group to exert control over another person or group. Power can be seen as one of the biggest factors of influence. Leadership occurs when influence over people is real, which makes power an essential element in it.

Based on the framework proposed by French and Raven, at least five types of power can be observed within an organisation. They are the following:

Legitimate: given by the position of a person within the organisation's flow chart.

Reward: control over the rewards that people value and expect.

Coercion: based on the ability to punish other people physically or psychologically.

Expert: based on control, and degree of control, of valuable information in the organisation.

Referent: based on the impulse to imitate or try to be like someone else.
Gary Yukl offers a practical perspective to understand how power is exercised. It states that when a leader exerts his power, three outcomes are possible:

Commitment: people accept and are identified with the leader, which will make them very motivated to complete the leader’s tasks and requests.

Conformity: people comply with tasks assigned when they are normal and do not overextend their limits in time and in effort.

Resistance: people reject the wishes of their leader because of their feelings against him or her; leader’s requests are ignored or contended.

Talent must be recognised within the organisation. Frequently, inner power struggles are lethal for talent development and activity. Both the organisational culture and the work environment must allow and encourage social recognition of excellence if the organisation wishes to survive and succeed. Otherwise, it is very probable that the best will be missing from the organisation.
Talent has been a crucial factor in the decline of family companies, and given the fact that in Europe the percentage of such companies represents a 60% of the total, it is worth mentioning the aetiology of this decline throughout the last generations. Family companies managed by a second generation represent a 25%, by a third generation a 9%, and only 1% of these companies survive the fourth and successive generations. The main factors explaining this decline in family companies are, from the least to the most important, power struggles, motivation, and a "regression towards the mean" of talent.

The fact that the second generation was not exposed to scarcities in their adolescence and youth, when the parent was already achieving financial success, is relevant, as well as the fact that the third generation was born in abundance. It is also important that the personal interests and motivations of the heirs possibly do not coincide with the founders’, whose passion drove them to the creation of successful enterprises, and sometimes real financial empires.

The phenomenon of regression towards the mean, studied in Statistics, indicates that the second measurement of a variable will tend to be closer to the mean after the first measurement gave as a result an extreme score. Descendants of exceptional people in any field are examples of this phenomenon. In the same way the children of Albert Einstein did not have the visual-spatial capacities of the physicist, and Picasso’s did not paint as their genius father, we can almost ensure that the children of Usain Bolt will not be as fast as him. Observing the exceptional qualities of entrepreneurs that have created family companies starting frequently from scratch, it can be asserted with almost full certainty that their descendants will not possess the same talent.

So both in cases of family and non-family businesses the simultaneous presence of talent and motivation is essential for their survival and success throughout the generations. An excellent example of identification, attraction, development and retention of talent is the incorporation of the CEO of Inditex, a company that broke sales records in 2015.

Amancio Ortega chose Pablo Isla to manage the Inditex empire a few years ago, and the executive has been valued by the Harvard Business Review in this year’s ranking as the third best company president in the world and number twenty in financial management.
Learnings and take-aways

In the same way Pericles concentrated great talent from which humankind reached heights never seen before, organisations must strive to have the best talent available, and prevent their derailing, in order to survive and reach success. To concentrate talent in the company, it must be identified, attracted, developed and retained.

During the identification phase, reliability and validity problems must be conquered related to talent measurement and the subjective impressions of personal interviews. Related to attraction, elements appear such as compensation and financial incentives, as well as an alluring challenge and an audacious, real and precise objective. In development, an effective motivation as well as precise and real training plans. And in retention, apart from the latter, the power and social recognition of the organisation.
Focusing specifically on internal audit professionals, the following section describes some of the challenges faced by organisations when recruiting the best, attracting them and developing their competencies so they can tackle the organisation's problems in the near future.

First of all, attitude plays an essential role in defining the quality of an internal auditor. *It is more about the attitude towards getting work done than about competencies* (KPMG - Internal Auditors Institute Vision 2020. Challenges in internal auditing with a 2020 horizon). Attitudes are a set of beliefs or feelings that a person has in response to situations or ideas, or about other people. As attitudes have a great influence over the behaviour of people within an organisation, their identification and subsequent management is very useful for achieving objectives. At the same time, behaviours feed attitudes, resulting in a self-feeding circle that includes both phenomena. This would be the first challenge: to identify and manage the type of specific attitudes that must be present in internal audit activities in order to facilitate their management and success.
In order to prevent derailment, skills that acquire a higher relevance over technical skills - and that constitute the set of abilities that are actively sought for in recruiting and training internal auditors (CBOK 2015) - are the following:

- Critical/analytical thinking
- Commitment towards risk management
- Communication skills

As is the case with other skills, the three mentioned are determined by genetic and learning factors. Following Goleman's advice cited above, in which he states that many hours of experience are not enough to become an expert, it is necessary to carefully plan an internal auditor's training, guided by masters in concrete aspects of the speciality. It is also appropriate to point out that top-to-bottom attention is the one responsible for learning and is also tiring, as it is voluntary and involves effort, a fact that must be taken into account when actively motivating auditors within their development plans and achieving their best performance.

For these reasons, it would be especially useful to design a training plan which is fragmented of divided into the components of each of the described skills, that will be essential in auditing activities, and commission their supervision and mentoring to experts in each one of the areas. An effective training plan and its subsequent evaluation will offer higher warranties that the best performance will be obtained in the practise of internal audits.
For Reyes Fuentes, Internal Audit Manager at NH Hotels, the internal auditor’s profile will change because the responsibilities of consultants related to internal control, risk management, codes of conduct, compliance, governance systems, etc., are ever-increasing with each new regulation and internal control framework, and are also becoming more complex.

The internal auditor, then, must:

- Be able to understand the business
- Have a strategic vision
- Know how to understand and move within an organisation’s governance

Reyes Fuentes also point out the dire need of developing Soft Skills in the internal auditor. This profession will require selling its own product, carrying out networking activities within the organisation, and there will be an increasing demand for the profession to be carried out with "an iron fist and silk gloves". The key skills for success in auditing functions are:

- Influence
- Dynamism
- Communication
In the opinion of Jose Luis de los Santos, Internal Audit Manager at BBVA, the integral training plan of an internal auditor, apart from the skills described, must include other attributes that enable the auditor to achieve the best improvement possible in his/her projection of professional competencies. They are the following:

- **Professionalisation**
  Capabilities, learning, effectiveness, and ethics.

- **Specialisation**
  It is not possible, nowadays, to expect generalist auditors to be able to approach and analyse specific study themes in a deep and objective way.

- **Management training**
  As the internal auditor's work involves the capacity to persuade and encourage certain behaviours in other people within the organisation, the skills required to carry it out must be more developed in auditors than in other professionals.

- **Continuous training**
  Due to change and innovation, it is essential that the training plan allows the auditors to be up-to-date with developments in their focus areas.

- **Information technology**
  The internal auditor must possess knowledge such as the treatment of large amounts of data. It is quite possible that traditional sampling will be replaced by census analysis, taking advantage of the possibilities offered by information technologies.

- **Excellence**
  The role that must be performed by internal auditors demands excellence-level professional competencies.
Another challenge is making the auditor act towards an improved functioning of the organisation, and making him/her a business ally, even as part of the organisation. In the opinion of Jose Luis de los Santos, first-level executives should try to end the sterile discussion around the “necessary evil” theory, which states that internal auditors must exist for a variety of reasons. On the contrary, auditors are becoming an “irreplaceable and indispensable resource” for high management.

For this same author, the most relevant elements in the political and business agenda based on the technological and cultural changes are the following:

- Ensuring business sustainability
- Corporate governance guidelines
- Identification of conducts that work against the defined strategy
- Suitability programs

Indicating as well that internal auditors are in an unbeatable position to offer veracious and objective information about how the daily operation of businesses is managed in a way that responds to the four elements described.