

| Health and Safety Executive Board Paper | | HSE/07/30 | |
|--|----------------|------------------------|------------|
| Meeting Date: | 6 March 2007 | FOI Status: | Fully Open |
| Type of Paper: | Above the line | Paper File Ref: | |
| Exemptions: | None | | |

HEALTH AND SAFETY EXECUTIVE

HSE Board

Talent Management

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ISSUE

1. To review the current talent management arrangements in HSE and consider proposals for the future.

TIMING

2. Routine.

RECOMMENDATIONS

3. The Board is invited to:
 - a. Consider the progress on talent management within HSE to date,
 - b. Provide a steer on the way forward on talent management.

BACKGROUND

4. The purpose of talent management is to ensure that HSE can attract, select, retain, develop and align the right people, in the right roles, at the right time, to deliver the business strategy now and in the future.
5. In 2004, the Board approved the setting up of a talent pool of B1 and B2 staff identified as likely to make the transition to SCS within 5 years (see Board paper B/4/053). Directorates nominated participants and a pool of 77 was established with a launch event in November 2005. This was followed by four optional seminars on personal development issues. Participants were encouraged to draw up and take forward their personal development plans, supported by £200,000 budget spread over two years.
6. In October 2006, the HR Sub Group (HRSG) agreed that the current Band 1 and 2 talent pool should be 'closed' and a quick review carried out to consider what, if anything, should replace it. All talent pool members and line managers were informed of the decision and research was carried out to find out how effective the talent pool had been. At the same time, research was completed to look at current best practice on talent management and arrangements within other public and private sector organisations.

7. This paper provides feedback on the talent pool, outlines what we can learn from others, and explores a potential way forward for talent management.

ARGUMENT

8. HSE invests heavily in developing the skills of staff – last year, to the tune of £4m (excluding opportunity costs). Staff are encouraged to develop their skills by: agreeing personal development objectives and plans; participating in HSE funded training and development; taking advantage of HSE sponsored further education; and through learning by doing. A limited number of staff also participate in professional development programmes such as SPATS and other ‘special’ schemes such as the “Developing Top Management Programme.” HRD are currently reviewing the corporate investment in learning and development and the Board will be presented with the analysis for separate consideration.
9. Development programmes account for a relatively small but significant slice of the total spend; around £250,000 over the last two years. In addition, we spent some £100,000 in 2006/7 on SCS coaching and in developing a band 1/2 talent pool.

HSE Talent Pool

10. The talent pool was made of up 45 band1s and 24 band 2s. The average age was 47, and 40% of the pool were over 50. Feedback from those on the pool and from senior managers in the organisation was consistent. There were too many people in the pool and (despite the fact that line managers had nominated all pool members) there were some that should not be there. In the selection process, the career review interviews for all band 1s and band 2s with their SCS manager was appreciated. For some, this was the first time discussions had taken place about their longer-term career aspirations. Although some parts of the organisation were robust in the assessment and selection of candidates, it was felt that others lacked the same challenge. Of the £200,000 allocated for development, only 50% of the pool sought funding for activities, bringing the total spend to £68,000. Furthermore, most members thought the development was individual driven rather than business led with little support or interest from senior management and limited links to succession planning.
11. The lessons we can learn from our experience centre around talent selection and assessment and talent development. Any future programme would need to be based on agreed criteria for leadership skills and qualities possibly through an assessment centre route supported by a suite of development activities tailored to business and individual needs.

Business Drivers

12. It has been recognized for some time (e.g. by Mckinsey & Co¹ and CIPD²) that effective talent management can be a source of considerable competitive advantage and is one of the factors which often distinguishes top from mediocre performing organisations. For HSE, the issue is likely to assume greater importance as we face up to challenges such as:

¹ Handfield-Jones, H and Axelrod, B. (1997) *The War for Talent Survey*, Mckinsey Quarterly, Mckinsey & Co, New York

² Chartered Institute of Personnel and Development (2006), *Talent Management Understanding the Dimensions*. Change Agenda Report. London. CIPD

- a. Fewer staff and effective targeting of available funding, which is likely to bring greater pressure on the resources available for developing people;
 - b. Some of our traditional skill sets are ageing and new skills sets are emerging;
 - c. SR2007 is likely to place renewed emphasis on the importance of innovation in our approaches to work and the more careful and effective management of our workforce.
 - d. The 'How and Where We Work Project' may well challenge many of the present "givens" about how HSE deploys its staff. It could lead to more flexible and less office based working and more remote management.
 - e. Significant part of leadership cadre is approaching retirement.
- 13.** In this environment, HSE needs to get a tighter corporate grip on priorities and to ensure that development is less driven by the perceived needs of individuals and much more by the needs of the business. Part of this will be to make sure that we invest in the right things. One consideration is the extent to which we buy in skills and talent and the degree to which we grow our own. Many suggest³ the ideal would be a 60:40 internal development and external recruitment. For many organisations, internal talent development is very important, particularly at senior levels. These organisations believe that top people must be 'grown from within and understand the culture'. Achieving the right balance is difficult. We need to take stock of market factors such as price and availability. The competition for talent is fierce, recruitment markets are changing and the pool HSE traditionally fishes in (25-45 year olds) is getting smaller. There is also the need to refresh the organisation with new blood and HSE's desire to provide rewarding career paths for staff.

Learning from others

- 14. Annex 1 details talent management arrangements in a range of public and private sector organisations.
- 15. The CIPD's 2006 learning and development survey found that 74% of respondents reported that their organization didn't have a well-developed plan for talent management. This was backed up by a survey undertaken with executive and senior managers in over 1,500 organisations, where it was found that, overall, 'there is no systematic and coordinated approach in the public and private sectors to developing and nurturing the next generation of business leaders,' with 'judging talent...still very much an intuitive and "gut feeling" response'.
- 16. Research from others shows evidence of different strategic levels of engagement in the talent management process. The levels range from having no talent management strategies or policies and managing talent in an informal way, to a fully integrated process that incorporates distinct talent management strategies and practices that are not only informed by corporate strategy development but also inform them.

³ Economist Intelligence Unit (2006), *The CEO's role in talent management how top executives from ten countries are nurturing the leaders of tomorrow*. London: Economist Intelligence Unit

The Way Forward

Creating a more holistic approach

17. Discussions with HSE Board and managers have revealed a consensus that the bedrock on which we should build an approach to talent management has to be an inclusive approach to developing staff. This means we need systems for succession planning, learning and development, performance management and reward and recognition that are genuinely complementary. Under the guidance of the HR Sub Group, we are already working on aspects of this, for example, by developing and extending the role of local career review groups to ensure they cover all groups of staff in all locations, improving management capability and performance management. The longer-term aspiration is that all managers view bringing on the talent of all their staff as a key responsibility of the management role. Board Paper B/07/29 outlines the work on performance management improvements and management competence.
18. These “bedrock” arrangements apply to all staff. The issue is whether we need to put arrangements in place for developing smaller groups of staff who have been identified as having the potential to be the leaders of the future. Evidence from other organizations and the Roffey Park Institute⁴ suggest that although it is essential to recognise all talent, it is still important to focus on leadership talent for the future. There is some support in HSE to establish a redesigned leadership pool for B1 and B2 staff. The pool would need to be much smaller than the previous one with stronger selection and assessment methods and development. The pool could be similar to models set up in DWP, DTI, MOD and some private sector organisations. **Do Board members want to set up a re-designed B1 and B2 ‘leadership pool’?** Another suggestion is that we extend the role of the B1 career review group to include an assessment of suitability for SCS level. **Do Board members want to add this consideration to the remit of this group?**
19. The Chief Executive thought that the Board may wish to consider the extent to which the organisation has a credible pool of candidates for Board positions. Annex 2 details the age profile of the Board, SCS and B1 community. There are some views from senior managers that we should explore a potential scheme for a small group of staff who have the ambition and talent to become future board members. **What are the views of Board members on this issue?**
20. A key issue that many organisations are grappling with is whether to assess talent on performance or on potential and how to weight the importance of these. Feedback from managers revealed some risk averse attitudes in parts of the organization where traditional views are held about levels of experience and expertise needed to progress. Discussions with some parts of organisation have identified the need to ensure that talent is recognised and developed in Band 3 staff and below. The Foundation Scheme was established to develop in house talent recruited at Band 5 level that could move through the organization in various roles. The feedback to date is favourable although the formal evaluation will not occur until the end of the programme in autumn 2007. It is recognised that spotting talent in Band 3s and below will be difficult to achieve through a corporate scheme. It is therefore essential that we reinforce the work outlined in para.17 and the need for managers to see this as key part of their role for all staff groups. **Is the Board content with this approach or do we need to do more?**

⁴ Roffey Park Institute (2006), *The Talent Management Journey*, Claire McCartney and Valerie Garrow.

CONSULTATION

21. Various stakeholders have been consulted on the issues raised in this paper- Board members, HR Sub Group, HR Business partners, PEFD other D/Ds

PRESENTATION

22. The positioning of talent management is important as it raises the issue of fairness. Any new schemes must be culturally acceptable and we may want to avoid using language and labels that alienate others. The discipline of mapping talent and establishing talent pools provides an opportunity to tackle diversity issues. We should ensure that whatever we do in this area supports the priorities in the various diversity equality schemes to improve representation of staff in all groups. There is also the issue of the believability factor with the spotlight on affordable staffing plans and the need to reduce our numbers.

FINANCIAL and RESOURCE IMPLICATIONS

23. The costs, resource implications and affordability of the Board's preferred option(s) will need to be set out to ensure that any direct or opportunity costs likely to be incurred, are considered against the business benefits and that those benefits are in line with our priorities and financial constraints.

ACTION

24. No specific actions, the Board are asked to reflect on the issues raised by the paper.

Annex 1

TALENT MANAGEMENT

RESPONSES FROM OTHER GOVERNMENT DEPARTMENTS (February 2007)

| DEPARTMENT | *TALENT CATEGORY | VERBATIM COMMENTS (from Department contacts) |
|--|------------------|--|
| DCMS Department for Culture, Media and sport | 1 | We have quite an individualistic culture here and make a significant use of secondments and loans. Many jobs are advertised for open competition and there is some (possibly increasing) use of managed moves depending on whatever particular local business pressures apply, as well as for purposes of managing down the headcount. Otherwise, people build their own reputation through the appraisal system and their personal impact. I would like to do something more systematic but at the moment, I would struggle to win senior sponsorship for such work, in part because as a small department it would be difficult to introduce a DCMS scheme economically. |
| NIO Northern Ireland Office | 2/3 | I would say the NIO is somewhere between 2 and 3 at the moment. We are about to launch - hopefully next week - a development scheme for our Grade A staff (Grade 7/6 equivalent) with a view, possibly, to rolling this approach out throughout the organisation. I would be very interested to see the outcome of your request, since we would also be interested in what others are doing. |
| NAO National Audit Office | 4/5 | <p>The NAO plan to create an 'Emerging talent pool' for auditors, analysts, HEOs and SEOs with the potential to make Director as a minimum. The High potential pool will be for managers who have the potential to make Board level.</p> <p>Over the last 2 years, 2 tranches of 12 people have joined the Leaders Development programme (emerging talent pool) with a range of activities. Some of these activities are generic eg. action learning, mentoring. Other activities are tailored to the individual e.g. carefully selected secondments, further education, challenging projects.</p> |
| OGC Office of Government Commerce | 2 | The talent management approach adopted at the OGC falls under category 2. However, this is a big topic we aim to address following the period of change and restructuring we are currently embarking on. |

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|---|------------|---|
| <p>DfES</p> <p>Department for Education and Skills</p> | <p>4/5</p> | <p>We are developing our TM strategy through Talent Management Groups (TMGs) in each of the Directorates. They are made up of the Senior Management Team members.</p> <p>I am also working on a strategy for developing our talented people at Grade 6 and 7 level. We are piloting an approach where they come together as a group to tackle a critical business issue. We are working with Berkshire Consulting on that area.</p> <p>At the moment, I think DfES is a cross between 4 and 5. We have used TMGs in a recent Grade 7 promotion exercise, moderating discussions in the performance appraisal system and most recently to look at the Deputy Director cadre. Early days yet but it would be good to get a group together to share what is working well elsewhere rather than everyone reinventing the wheel.</p> |
| <p>HOUSE OF COMMONS</p> | <p>0/1</p> | <p>We are slightly different as we are not a Government Department. The House of Commons and House of Lords recruit 4-6 Parliamentary Clerks each year via the Fast Stream. We have no formal system of talent management and use our annual appraisal process where every member of staff has a personal development plan as well as a forward job plan to guide and mentor our staff.</p> |
| <p>DTI</p> <p>Department of Trade and Industry</p> | <p>4</p> | <p>DTI is, I think, closest to option 4</p> <p>Copied to.....as she has overall responsibility for talent management in DTI and is coincidentally, in the process of launching a new talent scheme at ranges10/11 (great minds think alike...)</p> |
| <p>DH</p> <p>Dept of Health</p> | <p>2</p> | <p>I have just joined DH as Head of Talent Development - it is a new post so it will not surprise you to learn that I would currently rate DH as "2" but we are aiming at "4-5"!</p> |
| <p>FCO</p> <p>Foreign and Commonwealth Office</p> | <p>1</p> | <p>At FCO, our response is Level 1. We do not single out individuals for particular development. All officers have access to our training programmes and all are expected to meet the required standards for our assessment and development centres in order to progress.</p> |

| | | |
|---|------------|--|
| <p>DWP</p> <p>Dept for Work and Pensions</p> | <p>3/4</p> | <p>I would say that DWP is between levels 3 & 4, in that we have a departmental Talent Management (TM) strategy that covers all parts of the organisation, but we are aspiring towards level 5.</p> <p>We are currently running a corporate Emerging Talent exercise, with the aim of identifying G6s & G7s (target population +/- 1600) with potential to reach SCS PB2 and PB1 respectively. Jane Davis is the project manager. In addition, my colleague, Claire Wilson, and I are currently formulating a strategy for Strategic Resourcing that will balance “supply” (the Talent Pool) with “demand” (workforce planning needs) that will embrace our current TM, succession planning, Fast Stream and Selection & Assessment processes and that will be firmly integrated into our HR policies and support our key delivery obligations. We are also running TM reviews at SCS level and piloting approached for grades AA-SEO.</p> <p>DWP is seen as the leading edge department in this area; given the close relationship between DWP and the HSE, - would HSE find it helpful to get together sometime soon to compare notes?</p> |
| <p>DCA</p> <p>Dept of Constitutional Affairs</p> | <p>4</p> | <p>The DCA identifies most with category 4. Talent is managed locally by senior managers but under a corporate strategy to ensure consistency.</p> |
| <p>National Assembly for Wales</p> | <p>3</p> | <p>I would say we are probably at 3 but we are developing a structured talent management strategy and do have a career management strategy.</p> |
| <p>MOD</p> <p>Ministry of Defence</p> | <p>4</p> | <p>MOD have implemented a development pool for the SCS. There are 30 people in the pool (allowed to be for 5 years). All candidates must be supported by SCS member and go through an assessment centre for selection. Approximately 10 SCS vacancies a year. Most people who are selected for the pool take up an SCS vacancy within 12-24 months. MOD also run the fast stream programme and a professional stream development scheme.</p> |

* Talent Category – Levels of maturity of organisational talent management **(Self Rating by Department)**

Level 1 – No talent management strategies, policies or formally developed practices. Where talent is managed, it is informal/incidental

Level 2 – Isolated /tactical/local pockets of talent management activities. No overall strategy or plans for talent management

Level 3 – Integrated and co-ordinated talent management activities for a particular segment of the organisation.

Level 4 – Talent management strategy designed to deliver corporate and HR management strategies

Level 5 - Talent management strategy informs and is informed by corporate strategy. Individual and pooled talent understood and taken into consideration in the strategic process.

Annex 1 (continued) - EXAMPLES OF TALENT MANAGEMENT IN THE PRIVATE SECTOR

| ORGANISATION | DESCRIPTION |
|----------------------|---|
| Lloyds TSB | Creating a leadership pool through development programmes and graduate recruitment programmes. Driven by a top down approach, mapping talent with executive directors. |
| Royal Sun Alliance | Global talent management through a 'Talent Board' and HR business partners. Focus is on leadership talent and recruitment. All candidates are given 'stretch' assignments and business driven projects to complete. |
| Cargills | and 'Emerging leaders' talent pools including a high performance leadership academy and challenging projects. |
| Siemens | People Excellence model for nurturing the skills and knowledge of every individual to achieve their full potential. Focus on internal talent development for senior management posts. |
| Bristol-Myers Squibb | New talent management team to integrate selection, development and retention. Talent is one of eight strategic areas, driven by shortage of external skills. |
| Henkel | Operate in 75 countries. Developed a cadre of 150 senior global managers who sit directly below the Board. Development consists of – multi-dimensional working- worked in at least 2 different functions, 2 different divisions, and 2 different countries. |
| Abbey | Talent selection starts with line management. Positioned within existing performance cycle. Introducing a network of centres for people considered to have high potential. |

Annex 2 – Age Profile of SCS and Band 1s

| Age | | <40 | 40 - 44 | 45 - 49 | 50 - 54 | 55 - 59 | >60 | Grand Total |
|--------------------|---------------|-----------|-----------|-----------|-----------|-----------|----------|-------------|
| Board | SCS Band 1A/2 | | 1 | 3 | 3 | 3 | | 9 |
| | SCS Band 3 | | | | 3 | | | 3 |
| Total | | | 1 | 3 | 6 | 3 | | 13 |
| | | | | | | | | |
| Non Board | Band 1 | 9 | 17 | 15 | 34 | 46 | 5 | 126 |
| | SCS Band 1/1A | 1 | 7 | 6 | 11 | 11 | 2 | 38 |
| Total | | 10 | 24 | 21 | 45 | 57 | 7 | 164 |
| | | | | | | | | |
| Grand Total | | 10 | 25 | 24 | 51 | 60 | 7 | 177 |