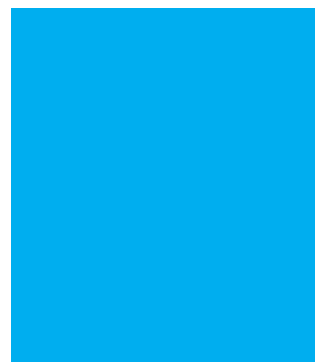
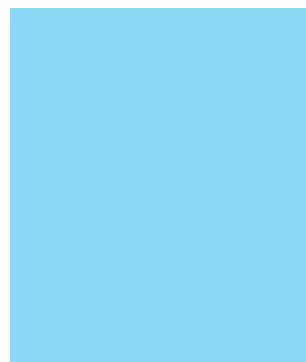
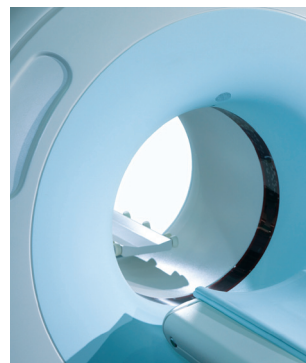
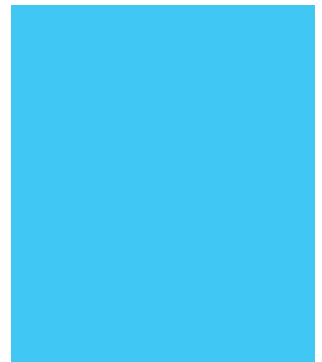
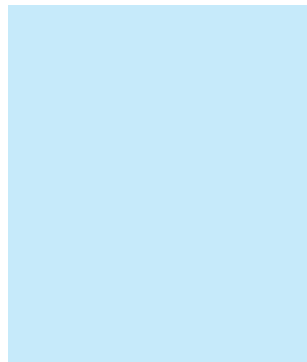


McKinsey Center for Government

The Right Talent Always at the Ready



The Right Talent Always at the Ready

For regulatory bodies, the stakes for acquiring and developing talent are higher than ever. Budget constraints are growing and private sector companies are able to fight the war for talent with outsized compensation and other perks. As they do, agencies will struggle to keep pace with boundary-pushing industry players or even to meet their dual mandates of expediting new products and protecting the public. Effective talent management can increase the odds of attracting and retaining the best talent. But it also builds organizational agility through retraining and redeploying talent as circumstances demand. The timing could not be better. Job losses across scores of industries and the growing interest of younger generations in public service have created a unique opportunity for regulators to recruit and develop their next wave of leaders.

CEOs around the world are struggling to find enough scientific and technical talent to fuel their organizations. The issue of talent is consistently a top CEO concern and the market for specialized skills is extremely competitive. Private companies are luring those most in demand with high salaries, promises of rapid advancement, and a host of other perks. In the past, this dynamic has given private companies a dramatic advantage over their government counterparts when trying to recruit top talent.

For regulatory bodies, the stakes of this competition are quite high. Without leading-edge talent to stay ahead of innovations that could potentially harm the public, agencies can find themselves struggling to catch up with the technical savvy

of boundary-pushing industry players—and some boundary-breaking bad actors able to capitalize on their talent attraction advantage. In fast-moving industries, particularly food and medical products, the potential dangers of a new product may materialize only after it appears on the market: recent incidents with energy drinks are a prime example and agencies can suddenly find themselves needing new expertise. Where agencies are expected to pass judgment on a product's safety before it enters the market, the need for a consistent stream of skills and expertise is even more pronounced, given the dual mandates of expediting new treatments and protecting the general public. The looming retirement of the Baby Boomer generation compounds the situation. Approximately 25

percent of U.S. government employees and 35 percent of U.S. government senior executives are currently eligible to retire.¹ As they do, agencies will start losing expertise faster than they are able to replace it.

Talent management builds agility

In the private sector, companies can usually hire or contract the expertise they need to meet evolving demands. In the public sector, such options are becoming a luxury. As public concerns over government expenditures grow around the world, government agencies will be required to shave their expenses and limit the growth of their budgets. In some cases, they will be confronted with outright hiring freezes or even reductions in their workforces. The demands to protect the public, however, will keep growing. Regulatory agencies must be prepared to do more with less and talent management will be a critical tool to navigate these conflicting priorities. Effective talent management can significantly increase an agency's ability to attract and retain the best talent. It also builds the foundation for organizational agility through the ability to retrain and redeploy existing talent as circumstances demand.

Despite the obstacles, the timing could not be better for regulators to invest in their talent management systems. Job losses across scores of industries and the growing interest of younger generations in public service have created a unique opportunity for regulatory organizations to recruit and develop their next wave of leaders. But the opportunity requires more than bringing new talent in the door. Regulatory agencies need to develop integrated talent management programs that overcome some of their unique hurdles.

Regulators' talent management hurdles

Getting the right talent in the first place leads the list of challenges. Agencies are competing with private sector companies. Moreover, an agency's effectiveness often relies on professionals with an uncommon blend of technical knowledge, strategic thinking ability, problem-solving prowess, and the creativity needed to navigate a complex regulatory environment. However, regulators often lose to the private sector because they aren't able to articulate a convincing value proposition to prospective employees—what makes a job distinctive and attractive—that draws these unique individuals into their ranks.

Regulators must also manage highly technical professionals whose backgrounds may not include extensive, or even any, general management or leadership training. For example, leaders must be adept at managing distributed workforces with many employees spread around the country, or even the world, and potentially feeling disconnected from headquarters.

Political concerns add even more complexity. A change of administrations can require dramatic shifts in priorities and focus. As public sector entities, regulators also face extra layers of constraints that often limit authority, create procedural barriers, and stretch the hiring and promotion process. Even simply creating new job descriptions and complying with federal hiring requirements, for example, can be a lengthy undertaking.

Systematic, well designed approaches to managing and developing talent can meet these challenges to enable agencies to successfully recruit, develop, and maintain the highly skilled workforces they will need.

1 How Many Federal and Postal Workers Can Retire? Washingtonpost.com, May 20, 2011. http://www.washingtonpost.com/blogs/federal-eye/post/how-many-federal-and-postal-workers-are-eligible-to-retire/2011/05/19/AFFnZf7G_blog.html

A talent system for regulatory agencies

Through our experience across public, private and social sectors, McKinsey has developed a comprehensive talent system: an integrated framework that moves from the broad imperatives of linking talent strategy to business needs to more tactical issues such as rewarding performance and driving organizational learning (see Exhibit 1). In the following sections, we discuss each of the talent system's seven elements with examples of how regulatory bodies have used them to their advantage.

Linking Strategy to Business Needs

High-performance organizations forecast and estimate their workloads as much as ten years in advance. These forecasts are based on scenarios of possible challenges the organization may face and the talent it will need to overcome them. High performance organizations are keenly aware that significant talent gaps can make achieving their goals difficult. Regulatory agencies need to be adroit at this type of planning. Although the future is difficult to predict, agencies are often aware of the range of challenges they are likely to face: for example, they can examine the most recent patterns of activity, or incidents that the agency has encountered, or that peer regulators are beginning to confront.

Given the likelihood of ongoing budget constraints, regulators benefit from understanding what workload demands could be placed on them and then defining the numbers of employees, specific skill sets, technical capabilities, and levels of experience to meet those demands. In addition, agencies should examine their workforce supply and pipeline in light of expected attrition, retirement and new hiring. These scenarios should also account for the environment's unique constraints, such as the time required to locate and cultivate specialized technical talent and the cycle time of public sector hiring.

Workforce scenario planning can also be a powerful tool to strengthen budget and funding requests. In its proposals to the U.S. Congress, for example, the U.S. Food and Drug Administration includes specific staffing scenarios. These scenarios include historic FTE and funding levels and the rationale for its current requests based on achieving the mission-based outcomes it has been charged with.

Recruiting and On-Boarding

Private sector companies are highly skilled at recruiting. Regulatory agencies must also develop this expertise. Articulating compelling reasons to join the agency lies at the heart of the matter—reasons that can often trump the financial rewards that private sector companies are able to offer.

In working with government agencies, we have found that a winning value proposition focuses on four areas that potential employees value. Compensation is only one and regulatory bodies can stress the predictability of their pay structures and the stable employment they offer. In the United States, generous government health and retirement benefits are also a powerful calling card. Second, agencies often find it effective to stress the importance of the mission-driven work they perform and the advancement opportunities in this professionally meaningful context. The positions themselves are the third focal point. Regulators can promote the combination of an active role, interesting work, and a sustainable work-life balance. Finally, agencies should stress professional development opportunities. Just as regulatory bodies need consistently cutting-edge talent, providing cutting-edge training can be a powerful lure for potential employees while helping the agency stay ahead of new innovations.

Recruiting efforts of the U.S. Internal Revenue Service (IRS) are a prime example of a compelling employee value proposition. The IRS realized that

Exhibit 1 | McKinsey has observed several traits of effective talent systems



SOURCE: McKinsey analysis

What we're learning

Linking talent strategy to business needs

Changes in environment, budget, and demographics can be anticipated and addressed

Recruiting and on-boarding

The best processes innovate on sourcing and optimize the candidate experience

Recognizing and rewarding performance

Motivation is sensitive to the integrity and consistency of the link between performance, ratings, and consequences

Growing leaders

Leadership development can be accelerated with a cross-agency view of leader/opportunity matching and movement

Training and organizational development

The most effective programs are a part of a larger journey and are coupled with experiential learning components and innovations in job design

Engaging and connecting

Strong and cohesive social and knowledge networks can dissolve structural barriers and silos

Creating a talent culture

Talent cultures require foundational mind-set and behaviors among executives and staff alike

it was facing increasingly complex challenges in its work and that its ranks of Baby Boomers, who had the greatest expertise and experience, were on the cusp of retiring. When comparing its recruiting practices to others, the service found that its advertisements and job recruiting materials were often highly technical and uninspiring. It needed a much higher octane approach to compete for talent.

The IRS began by asking its employees what they valued most about working there. Topping the list was job stability coupled with challenging work, responsibility, and fast upward mobility. The IRS also delved into the different needs of early- versus mid-career professionals to develop tailored messages for each group. For those early in their careers, the service found that it needed to promote the opportunity to

develop a broad range of practical skills, choose from diverse career tracks, receive educational benefits, and achieve a work-life balance while serving one's country. For mid-career professionals, the value proposition stressed employment stability, work-life balance, health and other benefits, along with the ability to "serve the public good and help fund America."²

A healthy pipeline of potential talent is also critical. To build it, agencies should consider partnering with educational and technical institutions. Agencies can offer internships and scholarships to people early in their education, building awareness among potential employees as they first imagine their professional ambitions. These partnerships can also steer potential recruits

² Workforce for Tomorrow, IRS report, 2012

toward the optimal education for careers in regulatory science and with regulatory agencies. Partnerships with professional organizations, membership organizations, or sister regulatory agencies can open up non-traditional avenues such as emerging markets, mid-career professionals, or retiree networks.

Recognizing and Rewarding Performance

In public sector environments, many employees see civil service as “service for life.” Performance management processes often reinforce this view: they reward length of service rather than performance or impact. Effective talent management systems use outcome-based performance measures that provide both rewards and consequences. Successful agencies provide employees with incentives that focus them on results. Performance management should define individual objectives and link them tightly to organizational goals.

Non-monetary rewards and recognition can be very powerful tools. For example, formal commendations are highly valued and a common reward in many government organizations. Other non-monetary incentives include special awards, certifications, access to special professional development opportunities, and inclusion on a list of top performers that is shared with senior management. Participation in key public announcements is also a powerful motivator. Participation can include quotation in communiques or appearing with leadership at news conferences or photo opportunities. Public exposure can be especially appealing to younger generations who value both making a contribution and being acknowledged for it.

Growing Leaders

Often, employees with technical savvy are promoted to generalist leadership roles without the management background needed to lead.

Promotion to management is usually the sole form of career advancement used to reward talented scientists or technical experts. Once in these management roles, however, many professionals don’t enjoy them and may even resent the emphasis on administrative duties. Employees can then become frustrated because management is not providing them with the direction and development they need.

To avoid this lose-lose dilemma, regulatory agencies benefit from creating separate technical and leadership career paths. Scientists who wish to devote their careers to science can be advanced to senior roles as individual contributors with an appropriate compensation and benefits package. The organization can then focus on identifying its future leaders and developing their capabilities in a clearly defined leadership career track.

Training and Organizational Development

Training is the lynchpin of employee development. To support the development of all employees, the right training needs to be offered at the right time. Training should begin before, or coincide with, an employee’s assumption of a new role. Training and development shouldn’t include only classroom experiences, but rather, classroom instruction should be combined with and applied through experiential learning in the field. Employees should also have access to knowledge management systems that encourage them to share best practices and access critical information just-in-time.

To develop a comprehensive training program, agencies can begin with a gap analysis at the organizational level to clearly understand what skills and capabilities should be the focus of learning programs. The agency can then concentrate its attention on a few pivotal roles and develop a cohesive set of training experiences for each. These programs benefit from drawing on adult learning principles to maximize impact while

conforming to the realities of budget constraints. For example, programs can integrate “field and forum” approaches, combining traditional in person classroom training with on-the-job experiences. They can also take advantage of lower-cost, technology-enabled self-learning approaches as well. Not only do out-of-classroom experiences provide the real-world reinforcement required to make any lesson stick, they also require significantly less overhead than a classroom-intensive approach.

Engaging and Connecting

Employees in high-performing organizations feel connected to the organization’s mission and their colleagues. Organizations drive these bonds by recognizing employee contributions, creating formal networks of professionals, and developing mentorship programs. For example, an agency could form a working group of its public affairs officers who would meet regularly to discuss the common challenges they face. Often, these groups coalesce into communities of practice that take responsibility for developing and sharing best practices across the organization. These networks are especially valuable in light of the wave of retiring Baby Boomers. It is critical to foster the sharing of knowledge as one generation leaves and another enters.

Regulatory agencies also face the challenge of workforces dispersed across multiple offices and geographies. These employees can easily find themselves feeling disconnected, which can ultimately drive them to change employers. To combat this challenge, regulatory agencies should provide knowledge management systems, collaboration tools, and other online networks and communities to keep field forces connected. Tools range from sophisticated multi-functional platforms such as SharePoint to simple but scalable private social networks like Yammer. Some companies even use private spaces on Facebook and Google to help employees connect and share.

Creating a Talent Culture

Successful talent management means more than human resources, organization structures, and processes. It must be supported by a strong commitment at every level of the organization. Guidance should come from the very top with senior leadership raising the profile of people and talent by highlighting these issues in their public and private conversations about top priorities on their agenda. The result will be an environment where managers are developing people and individual employees are empowered to take control of their own careers.



Putting it all to work

Through our experience with regulatory agencies, government institutions, and private sector companies, McKinsey has found that three principles drive the successful development and implementation of an effective talent management system:

- **Start with strategy**—Agencies need to understand what they want to achieve and what the environment will demand. But they must also plan how they will reach their goals. Will the strategy need sophisticated analytics? Will the agency need to deploy new technologies? Are leaders depending on the real-time judgment calls from the field force? How an organization works should dictate what type of workers it needs, how many, and with what skills. Without this baseline understanding, it will be difficult to determine if the current workforce is up to the task or, if it isn't, whether the agency should “acquire,” “train in” or simply invest in retention efforts for employees with needed expertise.
- **Use a segmented approach**—It can be tempting to see a systemic problem and seek an “enterprise” solution all at once. Regulators can consider starting with a program focused on developing high potentials, or new recruits, or focus the first round of changes on a particular job function or family. Segmenting the effort does not preclude a comprehensive vision for an integrated, organization-wide approach to talent management: leaders often start with the vision and then build the reality piece by piece.
- **Enhance the employee experience**—Every experience an employee has will shape their development, satisfaction, engagement, and ultimately their success. Regulators can create a solid foundation for new talent management programs by ensuring that the organization has the right tools and processes in place. Most importantly, leadership behav-

iors will deliver on the plan. The perfect training program is worthless if employees feel pressure from their managers to stay away and focus elsewhere. Leadership behavior is central to all elements of the professional development experience at every level.



Talent management can bring long-lasting benefits to regulatory organizations. However, agencies must directly confront their unique challenges. Agency leadership should develop a clear talent strategy and systematic approach for its implementation. We would argue that talent management is an imperative, not an option. To achieve their missions, regulatory agencies must have the right people in the right place. A thoughtful, systematic approach can make sure that they are, in fact, there.



