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Matching talent to value

The roles that create the most value in your organization may not be at the top. Getting the right people in these critical seats can turbocharge performance.

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In this episode of the *McKinsey Podcast*, Simon London speaks with McKinsey partners Carla Arellano and Mike Barriere about systematically assessing which roles in a company deliver the bulk of value, then defining the work that needs to be done in those roles, and, finally, finding the right talent to get it done.

Podcast transcript

Simon London: Hello, and welcome to this episode of the *McKinsey Podcast,* with me, Simon London. Our topic today sounds beguilingly simple: getting the right people into the critical roles that drive value for your company—in other words, matching talent to value. The snag is, many companies don't have a really crisp perspective on how value is going to be created, let alone the roles that will be critical to making it happen. Even if they know the roles, they may not have taken a really dispassionate look at whether the people in the roles today have the skills and support they need to get the job done. To discuss the discipline of talent to value, I caught up with McKinsey partners Carla Arellano and Mike Barriere. Prior to joining McKinsey, Mike was chief talent officer at Walmart and, before that, head of HR at Alcoa. Carla and Mike, thanks so much for doing this, and welcome to the podcast.

Carla Arellano: Thanks, Simon. Really excited to be here.

Mike Barriere: Great to be talking to you today, Simon, thanks.

Simon London: What about this issue of mapping talent to value? What does it mean in practice?

Carla Arellano: Talent to value flips many of the usual approaches to talent decisions on their head. When I say usual approaches, I say that most decisions and energy around talent are hierarchically driven. They tend to be driven by gut instinct and judgment, by the sense that somebody's been at the organization for a while and has achieved X, Y, or Z level.

Talent to value flips all of that around and says, let's start with how you're going to create value in the organization. Then let's figure out what's the work that needs to happen to get there. Then let's figure out who needs to deliver that work. And finally, who are the people that we would put in those roles to deliver that work?

Mike Barriere: Carla, I love those points, and it's almost as if current state or where HR is coming from, it's fuzzy logic. It's a bit fuzzy about the roles and what's required. It's a bit fuzzy about the talent. It's who are the usual suspects? Who are the favorites? Because a lot of that's being identified with more subjective processes.

While the goal isn't that different: get the best talent in the most critical roles, it's how we do it that's fundamentally different, and it has to be. So how do you determine which rules are most critical? And is there some science you can apply? Like, when you think about value drivers and modeling, where do those drivers show up? Therefore, if you think about the roles that are going to contribute on the front end, you have more of a fact base in terms of why certain roles are more critical than others.

And it's because they have a disproportionate contribution to the value you're trying to create. On the other side of it, if you're not clear about what is success in the role, and whether we know our talent well enough to put the best in the role, you're also not clear.

So you're making decisions without knowing which roles are critical and which talent is really the best fit. But what we're saying is that you're putting the company and the future value in jeopardy by not doing this.

Simon London: And it all starts with the value agenda: How are we going to make money? How are we going to create value over the next X years? And then what are the critical roles to delivering? And by the way, those critical roles may not be the most senior roles in the org.

Mike Barriere: And the talent that's best fit for them may not be currently on your radar. You have to find them.

Simon London: When we do this analysis with companies, and we help them map the critical roles to deliver value, how many roles, percentage-wise, do we typically find we're talking about?

Carla Arellano: We've recently run some neat research across the 50 or 60-plus efforts that we've achieved recently. We're finding some very strong similarities across these. Usually, there are between 30 and 50 roles that make up somewhere between 70 percent and 80 percent of the value agenda. That tends to be regardless of company size, in terms of market cap and employee number.

More interestingly, we've also found that it's usually about 15 roles that are delivering somewhere between 40 percent and 50 percent of the value. So there tends to be quite a bit of concentration in value.

Sometimes what happens, as Mike described, is roles have been built around super humans or super roles. Those roles are picking up a lot of value, potentially disproportionately from where you'd like them to be. If you think about the implications for a CEO or a leadership team, you don't necessarily need to spread all your efforts and keep track of several hundred people.

Mike Barriere: I'm amazed at how many times, having gone through this, we see the beauty when you take a value driver, you know the value, you know what functions contribute. Assigning value to roles is really important in this work, and so it could actually start growing. And then you start to go down the list, and by the time you get to 50 roles, you've captured more than 80 percent of the value.

And again, I cringe a little about what's the percentage. Is it 2 percent or 5 percent or 1 percent—it's more about, what can a CEO in particular do, though we like to think of the G3, the CEO, CFO, CHRO [chief HR officer], as the body in the organization that does this work—but this

becomes an active list that you manage. I find that it's hard to manage more than a line of sight that's 50 roles deep in the organization. If those 50 roles are capturing 80 percent of the value, it's important to prioritize and actively manage them.

But the other part of this and the work that we've been getting into lately is there's no reason why you can't take this down into levels in the organization. The fact that there's a G3 at the top, that's the enterprise view, and that's where you look at 50 roles. Let's say you're a function or a business-unit leader; you might have five of those 50 in your area, but you might also have another ten that you really care about. You start to cascade the method down. You want every business leader to be thinking this way and thinking about what is the value we're creating in the function. But we start at the top in terms of getting alignment, particularly through the CEO, CFO, and CHRO, to take the hard look, and where do those 50 show up?

Simon London: Can I just push a bit on this notion of assigning value to roles? Particularly roles that are not in the commercial front line? If I think about big, functional roles, something like cybersecurity. Those roles are absolutely critical. If good people are not in those roles, the enterprise could grind to a halt. How do you assign value to roles like that?

Carla Arellano: A core part of this starts by getting underneath what work needs to happen, and what needs to be done to create that value. Then we go into who needs to contribute to that value. Who needs to do that work to get there?

We have a series of heuristics across what we've called value creators. To your example, commercial leaders tend to be the most straightforward, or P&L [profits and losses] owners. Value enablers. So think of this as your enabling functions, HR, IT, et cetera. And then what we call value protectors. This is where your cybersecurity, legal, et cetera would come in. As we go through each value pool, we're trying to get underneath what's the work, who's doing it, and how are they driving it?

We're really testing for, where is the hard-core work and strategic decision making and leadership happening? In the cybersecurity example, one of the things that we look for frequently and have discussions about is, how much value is at risk? And how much do we want to assign in terms of protecting risk? That's where cybersecurity roles come in rather frequently.

Mike Barriere: One thing I would emphasize is the front end of this. When you think of value drivers, let's say you think of some that might be around organic growth, let's say revenue growth as an example. You start to look across the organization. Let's say you want to grow a billion dollars on the top line. You look at your commercial groups, sales, and marketing. You look at product or operations, depending on your business, and then you look at those enabling functions.

You could literally take a billion dollars of top-line revenue growth and say, OK, 30 percent of that has to come from sales and marketing. They have to go out and create the demand. But obviously, that's not all of it. We have to deliver the product. Maybe there's an R&D contribution, or maybe there's a real operations component. These are the creator roles, because they're so important to generate the demand for, in this case, the top-line revenue growth, as well as the delivery.

So maybe 30 percent is in sales and marketing, another 30 percent in operations. Now you still have 40 percent of that value, which could come from these enabling functions like technology or HR to provide the talent to the sales teams or the operations teams. You start to build this mapping—and we have a great way to model this—of the value driver. What functions are contributing what percentage of that value? Then that's where you get into the valuation of the role.

Let's say you take 30 percent of a billion [dollars] into sales and marketing, there's a value there, and you say, OK, well, there's seven roles in marketing that are absolutely essential to grow top-line revenue. They're those key account managers that we've been using as an example. You then

distribute that value across those roles. There are some heuristics that we work with, some percentages, whether you're a creator or enabler type of role. But the beauty of putting this into a model is that then you can do sensitivity analysis. So maybe it's 60 percent on the front end and only 20 percent on the product side, or vice versa. You can quickly see the impact on the kind of roles that pop up.

Simon London: So we've had a robust conversation as a management team about what our value agenda is. We've hammered out some areas of ambiguity. We've done the hard work of then identifying the roles that are really going to matter over the next few years. What happens next?

Mike Barriere: The fun stuff. First is, if these are the roles, what does success look like? I come from HR, so I can pick on myself. Usually, HR doesn't have up-to-date, nimble, and dynamic role descriptions that capture what a role needs to do today.

This is part of the issue, Simon, where a lot of our HR processes are dated and not designed for this period of exponential change and disruption. The first thing, when you say this is a critical role, we all agree it's one of the top 50, is to define, and Carla mentioned it, a role card.

A role card consists of the mission for the job, and then in language of jobs to be done, what are the five to seven things that are most important that this role has to accomplish to be successful? You also know the value that the role should capture. It should be written in a language that's clear, concise, and tied to those value drivers that we talked about.

Some roles might hit two or three or even four value drivers, and you want to be clear that this is exactly what needs to be done in the role to capture that. That's half the role card. The other half is, how are you going to assess somebody against those requirements?

Role descriptions were designed to stand the test of time. A lot of them are old, static, they've been around. Compensation teams use them to price jobs relative to market. Search firms use them.

We're talking about something different. We need a much more nimble, concise way to think about jobs and design jobs, so you don't get this phenomenon of double-, triple-hatting somebody, or having them do 60 percent non–value-add work.

We want to be really crisp, and that's why we even changed the language to role card, not a job description, because you want to be clear about, this is what this role needs to do over, like, a three-year time horizon, and this is the value that you can measure success in the role against.

Simon London: It's a hybrid between a role description and your annual objectives, somewhere in the middle there. It's a different critter.

Carla Arellano: Yes, very much so. When we've developed these baseball cards or role cards for leaders, one of the first things that happens is the reaction that, oh, we have the person in this role doing 50 other things that are not on that list, usually followed by, how would we expect them to actually deliver this, when we have them doing all these other things. And are they best placed for everything else?

The other thing, where Mike was going with this notion of the knowledge, skills, attributes, and experiences, is that most organizations have moved people into roles based on the fact that they were successful in this other role, or somebody likes them and knows them, and they've worked well together for a very long time.

But the focus should instead be on, do we want somebody who can build a team of very diverse profiles to go do something different or hard? Or do we want somebody who can be a strategic negotiator with customers? Those are very different requirements for a role. Getting specific on those and how you might measure it can be hard. But the rewards are very high.

Mike Barriere: Now we're going into the third step, which is the matching. We defined the value agenda, the drivers, we know where the critical roles are in the organization, we write the role cards, and now it's time to assess and match the talent.

A lot of times you'll find that you don't have your best talent in a good percentage of the critical roles and your best talent is somewhere else and not even on the radar for these kind of roles. That's why the matching is really important.

Simon London: What's the percentage of mismatch? When you do this for the first time, do you find that organizations are 70 percent mismatched? Or in most organizations is it more like 10 percent of the roles cause some serious head-scratching and conversations once these cards are laid out?

Mike Barriere: What comes to mind is a recent experience where we found 45 percent of the roles were a great match. The incumbent was the best fit. Twenty percent to 30 percent typically have gaps, but they're addressable. They do have some gaps, but they are the best talent you have, and if you have clarity about how to help them address their gaps—which we can get to in a minute, the techniques for that—typically, it could be in the ballpark of 20 to 30 percent that are mismatched. It doesn't mean you fire them. It means that there's probably a better role for them, or you've got to look either internally or maybe go external.

These are not the roles you want to give somebody a stretch assignment for. These are your critical roles that are going to deliver value, so you really want to put your best players in these roles.

Carla Arellano: I think the other thing alongside that, Simon, that I've seen frequently is looking at the team around a role or looking at the team of roles. Because you might find that there's a gap of an incumbent to a role. You might also find that across a team, there's a core missing experience or capability set that you need to complement in some way.

I have an organization that's been going through a restructuring for quite a while. None of the individuals in critical roles had actual restructuring experience, which was a little bit of a flag. It wasn't that every single one of those roles needed to have it, but it was important that at least one or two of them did to get there. There's that individual view, and then there's a little bit of a team view as well.

Simon London: This goes back to my slight skepticism about how easy it is to assign value to roles, because I think we're acknowledging that so much of what goes on in an organization is a matter of team production. There are teams delivering value, not individuals.

If you say you need to reinforce a role by bringing in somebody else as a wingman—it's a gendered phrase—but a wingman effectively who compensates for one element. Aren't you immediately beginning to undermine this idea that it's that role and that role alone that's delivering the value?

Mike Barriere: No, I have a very strong view on that. A critical role leader needs to absolutely leverage the team—and it might not even be their own team. There could be an important collaboration across function or function to a business unit or across a business unit.

Now we're getting into, how do you optimize value capture for that critical role leader? They're on the hook. You need somebody responsible. If you just try to tackle it from the team dynamic, you're going to miss something. We like to think that there's a critical role leader that's on the hook, but part of their success is going to be driven by how well they build the team around them and how well they can build cross-functionally or collaborate horizontally in the organization. It doesn't put teams aside and say it's only the role that's important. To be successful in the role, team competency is absolutely essential.

Simon London: Ultimately somebody has to be on the hook, though. I think that's the message. Somebody has to own the delivery of that value.

Mike Barriere: Exactly, because that happens a lot. You take a team approach or you do something broad strokes without really having that person who you look at and say, that's their role, the value is tied to them in that role. But the way they succeed involves not only the team, it involves the workforce. And does the workforce have the capabilities? What about the culture, how they run the place. Do they take out organizational bureaucracy, so they can move with speed and agility? A lot of the organizational things light up here, but this is the front end to prioritize the role. Then how do you make a leader successful in that role vis-à-vis the top team and the organization and the capabilities and the culture to run the place?

Simon London: Do you get pushback from organizations at that cultural level? That doing this in this way just feels kind of countercultural?

Carla Arellano: Definitely. Maybe more than pushback, there tends to be a very deep-seated philosophical question for organizations. One, about what's the difference between critical and important, and how do we make sure that we're not creating a stratification of our workforce and making some people feel more important than others?

A lot of organizations—this is going to sound a little bit harsh—confuse fairness with, everybody has to get everything the same no matter what. They end up struggling to feel comfortable doing the approach, and then figuring out what they would do differently for that group of critical roles than they might do for other roles in the organization.

There's also this sense of what's the urgency? And where Mike was going about the culture and the agility that you create in an organization, to make sure that those critical roles are able to be successful and deliver on the value. That likely will require a shift from the way things are normally done to drive forward a different sense of urgency than you might have had in terms of certain things.

Mike Barriere: I have two principles related to this, Carla. It's that development matters for

everybody. Every employee in an organization should have the opportunity to reach his or her full potential, and you want to provide that, especially as leaders.

While that's important, it's also important to think about the future of the company. Therefore, who are those talents that you absolutely want to get into the most critical roles? You need to do both, but many times, we only do the broader set. Because there's a culture that it's one team, rather than there being a specific set of certain people. That's why we really put the emphasis on the roles that matter, and then not only looking for the 50 people, but what's the succession pipeline behind them?

There could be a couple hundred people that you're also developing to be ready to take those roles in the future.

Simon London: It's true, every organization treats people differently. It's just that we're used to doing it based on hierarchy. The difference here is, we're focusing on value first and role first, and that can feel a little unusual. But it's not like everybody in an organization gets the same treatment today anyway. Hierarchy takes care of that.

Mike Barriere: I'd add that it is hierarchy, but it's also the definition of top talent, or when you use the nine box to try to find out who are our highest potentials. Companies segment already, but they segment the talent, not the roles. Then you need more of a fact base of who has the potential? And potential for what?

We're saying it's potential to be successful in critical roles. To leverage the fact that most companies are already segmenting talent, we're saying, segment the roles first, and then match the talent and get that right, and then broaden it. Broaden development and leadership and opportunity and tackle it that way.

Simon London: If you think about what a CHRO needs and what a good HR function needs in a

company that's going to do all this well, what are the gaps that we often see?

Mike Barriere: The first part is guts. The CHRO has to have the moxie to push up against the CEO and the CFO, the exec team, and call out if the value agenda is not clear. If it's ambiguous or fluffy or ownership is not quite there, this is the moment that a CHRO can really say, "Hey, if we want to leverage our human assets, we need much more clarity about drivers and where in the organization is the most critical, because we want to deploy our talent just like you would think about deploying the financial capital." The role of the CHRO, particularly with the G3, is to increase awareness and to lead. We need to take our value agenda and our value drivers into the organization.

From there, the CHRO does need a good sense of the business and the industry and what are the trends. To Carla's point, the CHRO is an officer first, and you happen to have an HR talent tool kit, but the role is about understanding the business, the business dynamics, the ways that the company can achieve value in the future.

Carla Arellano: Mike, one of the things that you said really jumps out at me. CHROs are probably most comfortable, but I think if you get into some of their teams, there tends to be less comfort. And it's this concept of really knowing the business and the industry and how it makes money.

What I tend to find is, it might be that an HR leader understands it but might feel uncomfortable engaging a business leader on where value is going to come from, and why they think they're going to achieve a certain margin, or what is the plan to capture that digital growth?

There's something about what you said earlier on, having the moxie but also enabling that in your team and giving them the comfort level that they have just as much right, as well as the demand on them to really understand what needs to happen and by whom, so that they can engage productively.

Simon London: So, I think we're out of time for today. Carla and Mike, thank you so much for doing this.

Carla Arellano: Thank you, Simon, it was a pleasure.

Mike Barriere: Simon, thanks.

Simon London: And thank you as always, to our listeners, for tuning into this episode of the *McKinsey Podcast.* To learn more about our work on talent, talent management, and talent to value, please visit McKinsey.com.

Carla Arellano and **Mike Barriere** are partners in McKinsey's New York office. **Simon London,** a member of McKinsey Publishing, is based in the Silicon Valley office.