



2010 WINNING CASE STUDY
Human Resources
Hay Group with BAE Systems

HayGroup

BAE Systems - Developing a talent management strategy to drive business results

Executive summary

BAE Systems traditionally work on complex long term contracts with long term planning cycles delivering innovative solutions to their clients. So, it was only natural that when it came to talent management they would seek a structured and cutting edge process that would help them identify the people they would need to lead the business within the next five to ten years.

Hay Group worked with BAE Systems to help them achieve 'robustness' in their talent management, providing them with external validation and data to give them absolute confidence that their current processes were spotting the right potential for the organisation.

This has huge implications considering the importance of the company's operations to matters of national security and defence.

As a result of Hay Group's work BAE now has a clear understanding of what leaders they will need to deliver business performance in the future and a structured talent management process running right through the organisation that will help them ensure that they spot and develop these people in time.

But, the work doesn't stop there. Hay Group and BAE continue to work in partnership to update and refine the process. As Sherief Hammady, a consultant from Hay Group who leads the work with BAE Systems says, *"We both need to question what we are doing and to keep questioning the validity of the process and its fit to the needs of the future."*

The problem

In the past BAE Systems' growth has been achieved through significant acquisitions. As a result the senior leadership had primarily focused on operational efficiency and effective integration of new businesses. But the environment in which BAE is now working is extremely competitive and changing rapidly. Customers are becoming more demanding and want new ways of working. It is clear that what made BAE Systems successful in the past will not ensure their success in the future.

BAE wanted to put in place a succession planning system that would enable them to spot and develop the people with the greatest potential to lead BAE Systems in 2011 and beyond. Not only to drive business performance but to bring about a much needed change in culture and values. This was critical if BAE Systems was to remain respected as a leading UK PLC providing thousands of jobs in the industrial sector which over the years has been subject to a number of setbacks.

Project background

BAE Systems is a global organisation that develops, delivers and supports advanced defence and aerospace systems and solutions. It is a pioneer in technology and is at the forefront of innovation, working to develop the next generation of intelligent defence systems.

The company employs more than 100,000 people. Its headquarters are in London and its main businesses are in the US and the UK. It plays a key role partnering with the MoD on matters of national security and defence.

As a result of past mergers BAE Systems had already gone some way to creating a structured talent management system but, this was entirely run by an internal team. They were now seeking a process of external validation, driven by data, to accurately measure the quality of their senior cadre and give them confidence that succession plans were future proof.

Consulting activity

Hay Group worked in partnership with BAE systems to:

Identify the roles and people they needed to be successful

Senior directors within BAE were asked to think about both organisation design and associated key roles that they would need in the organisation in three to five years time.

They were interviewed by senior Hay Group consultants who were able to convert these strategic drivers into future role requirements. Combining this knowledge with our own global research on outstanding leadership we were able to identify the criteria required for BAE leaders to succeed in the future.

Assess executives against the criteria

Using Hay Group proprietary diagnostic tools we assessed the leadership effectiveness of BAE's top 100 senior executives and their fit against specific leadership roles. We provided reports to the Executive and Board on readiness for these roles, a risk assessment of possible talent moves and suggestions on how to prepare individuals for success.

We also joined forces with corporate HR and line managers to provide advice to the executives themselves on how they could improve their own performance. This approach allowed the process to be flexible enough to take on board managers' feedback but maintained the 'integrity' and 'fairness' of the assessment.

Develop a robust executive succession process

Working together with HR and the executive board we developed a robust succession planning cycle that allowed the assessment data to be used in three key ways: to give BAE Systems a clear picture of the overall strengths and vulnerabilities in their leadership population; to provide recommendations on how to further empower this group to deliver on strategic goals; to assist decision makers in placing the best person in each job by helping them understand the risk of placement options.

Effectively track progress

We developed a succession planning index – a regular snapshot of how people were progressing up through the organisation and into executive roles. We also worked with the client to build into the succession planning cycle a re-measurement every two years of the leadership effectiveness diagnostics to show how leaders had improved. Again, this was also fed into individual development plans.

Cascade the approach to assess potential throughout the organisation

In 2007, BAE asked us to begin cascading the assessments and talent management process throughout different management levels and business units. The aim was to create a shared understanding of what great talent looked like within BAE Systems so that the development of high potentials for executive positions could begin at middle manager level.

The challenge here was that each level within the organisation and each business unit had different requirements and budget levels. It would not be possible to roll out exactly the same assessment process as we had used for the senior executives. The approach had to be flexible while still creating continuity.

For senior managers, therefore, we developed an assessment process that was business focused and measured leadership and personal effectiveness against the key business unit challenges they faced.

For the middle manager population we assessed their managerial capability but we also measured them against the Hay Group Growth Factors – a set of competencies which have been proven to predict long term potential for leadership roles.

Scale and scope of the project

We have been working with BAE Systems since June 2005 and the project is still ongoing. Over the past two years we have carried out over 400 assessments across the organisation working in the UK, US, Australia, Sweden, Saudi, India and South Africa. The project has involved some 25 consultants of all levels and experience. The impact of that is immense considering the key roles these hundreds of executive have in shaping the future of the company.

Success factors

The project has had a strategic impact on BAE Systems, as it has enabled them to see the best way to make use of its people to meet current and future challenges. BAE now have a consistent view of talent across the globe and clear links can be made between high potential development at middle manager level and executive succession planning.

Meeting BAE Systems' objectives:

- **The client's key objective was to ensure that they had the right leaders to lead the organisation in the future.** The BAE Systems leadership team now has a clear understanding of the future potential of key talent and how to manage their development. As part of the process we highlighted opportunities to move individuals into roles for which they had not initially been considered. **Seven out of the 11 current executive committee members have progressed into their current roles since going through the Hay Group assessment process.** The company are also selecting potential talent further down the organisation so development for senior roles can start at middle manager level.
- **The client also considered this part of a major cultural change:** BAE System's agenda was to ensure that not only the business performance was high, but that things were done in the right way. Therefore, values such as ethical working and integrity, developing others and embracing diversity were criteria for assessment. The future leaders were being hand-picked to reflect and live the new face and values of the organisation.
- **Another objective was the implementation of a best practice process for succession planning.** John Whelan, HRD for BAE Systems says, *"We have now become much more confident in our succession management processes."* Hay Group's assessments of top leadership at BAE Systems have now become, along with individual and business performance data, one of the primary sources of information to help the leadership team manage the development and progression of talent within the organisation.
- **BAE Systems was keen for the individual participants to benefit from the process.** The performance of assessed executives has improved; through individual developmental suggestions and coaching sessions they have a greater understanding of what they need to do to improve their own performance, implement BAE Systems' strategy and deliver business results. Internal reports have confirmed that people have started to take on board the feedback and modify their behaviour. One participant described the process as having, *"made a profound difference to my performance."* And the succession planning index shows that, as a result of this, senior leaders are already starting to progress to new roles.

Lessons learnt

It's consistent with the culture of BAE to remain at the cutting edge and this means continuing to improve. So, it was always part of the brief to make adjustments as we went through the process. We learned that:

- **The process needed to be flexible enough to respond to the changing business context.** We have been working with BAE Systems for five years now and during that time the company has restructured three times. We learnt that if we wanted to put in a long term process then it needed to be flexible enough to respond to these changes.
- **The value of creating engagement and buy in from the Board and senior executives.** Hay Group consultants, in support of the process manager and sponsor, spent a great deal of time up front to ensure that senior managers understood the process and an equal amount of time getting buy in through the feedback phase. Within the client it was made clear from the outset that this would be a process owned by the Executive and not by HR. This was critical. It would have been impossible for HR to have carried such an intervention unsupported.
- **The importance of integrating with existing processes.** We worked in partnership with the client to integrate our assessments into their already established process.
- **The importance of evidence.** One of the ways in which we were able to achieve buy in was our ability to prove, through data, that our assessments were robust. Nothing less would have worked in a hard edged engineering culture. Allowing this to be combined with line manager judgment provided a holistic assessment whilst maintaining the integrity of the assessment and created another opportunity for business leaders to buy into the process.

The client/consultant relationship

We have a very strong relationship with BAE Systems and there is a mutual respect for the professionalism and high standards that both organisations represent. The invaluable ongoing two-way discussions, where we continually challenged each other, enabled us to understand BAE Systems' needs and adopt flexible solutions. Proof of our successful partnership can also be seen in BAE Systems' decision to extend our work with them to cascade the process down through the organisation

"Working with the Hay Group team I found the individuals to be of phenomenally good character and good calibre."

Nigel Whitehead, Group Managing Director, Programmes and Support who leads all the UK businesses