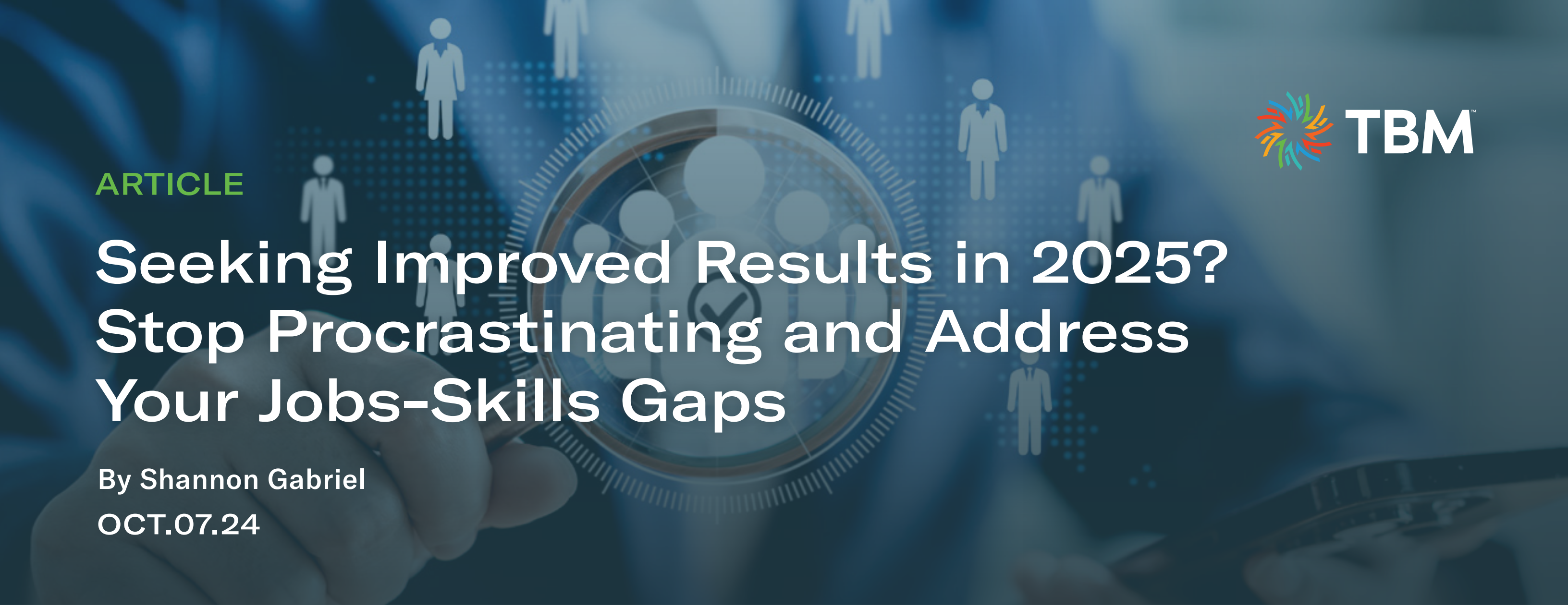

ARTICLE

Seeking Improved Results in 2025? Stop Procrastinating and Address Your Jobs-Skills Gaps

By Shannon Gabriel
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Key Takeaways:

- Companies often focus too heavily on process-related performance and overlook the crucial role senior leadership plays in driving success. CEOs should allocate time to review the skills, performance, and efficacy of leadership teams to ensure alignment with company goals, which is essential for improved business outcomes.
- The workforce is undergoing rapid change, with skill sets evolving by 25% since 2015 and projected to change by 50% by 2027. Companies need to proactively address these gaps before they become detrimental, rather than waiting for external events like M&A activities to force adjustments.
- Regular, informal evaluations of leadership teams—focused on communication, accountability, and feedback—can help prevent issues from festering. This review process should be straightforward, aiming to boost performance without creating a rigid or overly complex system, ensuring the organization stays competitive and retains top talent.

As we make our way through another planning season, working with companies to review their results and identify areas for improvement, we continue to hear a common refrain that shows many have considerable room to get better: 'We didn't do poorly, but we didn't do as well as we had expected.'

Not exactly a glowing appraisal, but these companies can change the script by putting more people-focused issues through an annual review process, for example regularly measuring the overall performance of senior leadership and their teams.

Why Mindsets Need to Change, Now

Most firms spend the bulk of their planning time on the process-oriented elements of their businesses, analyzing operational, supply chain, and vendor performance, and then making adjustments from there. In sticking to this template, however, many lose sight of the important role people play in driving success, specifically senior leaders and managers. These are the most talented, highly compensated individuals in your organization, all in charge of leading others in executing the plan.

If they want business performance to improve in the next 12 months, CEO's need to prioritize putting as much time into analyzing the performance of their leadership teams as they do their external vendors, including their overall efficacy, contributions to results, and, importantly, whether their skill sets still align with those required for the roles they are in.

Before proceeding any further, we know what you're thinking. The new year is rapidly approaching, we need to make some big decisions, the clock is ticking, and you're telling us we need to audit our senior leadership, and consider potential changes to the team?

To be clear, we are not advocating for companies to conduct formal exercises that would unnecessarily put their most talented people on pins and needles. This is not about cost cutting or removing people from their roles and suggesting they find work elsewhere, nor is it about the typical performance evaluation process. This is about tweaking the roster to get better results, and it is a process that can and should be as simple as evaluating from afar the performance of the business, the leaders and their teams to determine the right path next year.

The clients we work with are often pleasantly surprised by the results this informal feedback loop can yield. Simply taking the time to ask leaders about the challenges they're seeing, what they see as obstacles to successful execution, and whether there are any internal factors – people or processes – holding them back or creating stress. When this type of two-way communication is not happening on a regular basis, bad patterns develop that can be difficult to turn around.

Added Incentive: Growing Job/Skills Gaps

Companies tend to wait to do this until they absolutely have to, for instance in the event of M&A activity that directly affects the leadership team and forces changes. But they have an extra motivation to shift from reactive to proactive gear, and quickly, to match the speed at which workforce skill sets are changing.

For context, the skill sets necessary for today's workforce have changed by approximately 25% since 2015 and will have changed by 50% by 2027.[1] At the same time, the data shows that more and more companies have job/skills gap issues that have gone overlooked for too long. In one recent survey, 70% of companies reported significant job/skills gaps, 40% said these gaps were worsening, and 30% felt these mismatches were hindering their firm's innovation and growth potential.[2]

It is important to note that these are not job performance issues. This is most often a 'not keeping up with training and development' issue that comes back to bite, and the time has come to bite back if companies want to improve.

Define Goals, Simplify Plan of Attack

It is reasonable to assume that most of the companies dissatisfied with their results do not perform quasi-annual evaluations on their senior teams. They may fail to do this for different reasons. Companies with high average tenure often overlook the importance of this exercise and the fact that skill sets can and are getting stale. Many companies dread the process of going through the onboarding and training process necessary to get new workers up to speed. Ultimately, most end up doing nothing, employees and leaders grow increasingly frustrated, and strong talent walks out the door.

If you are a CEO reading this, here is what we would say to that mentality – and credit here to hockey legend Wayne Gretzky – you miss 100% of the shots you don't take. If you believe your team can be strengthened, you owe it to every stakeholder involved – including those leaders themselves – to institute a new review process, one that doesn't need to be complex, rigid, or robotic.

Companies can develop a repeatable, value-add process by asking and providing candid answers to three key questions:

1 HOW DO MY LEADERS COMMUNICATE WITH THEIR TEAMS - IS IT A POSITIVE DYNAMIC?

The companies that do these types of evaluations the best have a common trait: they communicate, communicate, communicate. On a scale of one to five, leaders of high-performing teams rank frequent communication – daily or weekly – as the top contributor to their success (4.25 out of 5). And we do not mean the planned weekly or quarterly online Zoom meetings; face-to-face conversations are far and away the most effective. There is tremendous value to be gained in having more frequent fact-to-face interactions with your senior team. In fact, one study shows that 35% of the variation in a team's performance can be accounted for just by having regular in-person interaction.[3]

2 WHAT IS THE TRUE CURRENT STATE OF OUR CULTURE – DO WE HAVE AN ACCOUNTABILITY PROBLEM?

Companies with high average tenure can easily fall into the complacency trap if they do not stay vigilant. We all know that job descriptions change weekly, team sizes grow and get unwieldy, and people can get over their skis very quickly and be reluctant to put their hands up and say so. Ignoring these patterns creates a cultural nightmare for companies. People start rowing in different directions and accountability evaporates. And then people do what the employer was afraid of in the first place -they leave. If a CEO is evaluating a senior sales leader, for example, and sales weren't where they needed to be, there needs to be a conversation around why and what that person is or could be doing differently to improve. If you do not have that level of visibility, you have a big problem.

3 AS A BUSINESS LEADER, WHAT KIND OF FEEDBACK AM I GETTING FROM MY TEAM ON MY PERFORMANCE?

Last, humility and self-introspection go a long way in building trust and reinforcing the importance of this exercise. CEOs should walk the walk by also putting themselves in the evaluation seat, and regularly seek feedback on their own performance from their senior teams.

Case In Point

We have seen firsthand how the absence of this two-way dialogue can cause problems to fester internally. In one situation, we worked with a company that was having difficulty hiring a head of continuous improvement (CI). The senior leader of this team had not received the level of formal training required for this position, and thus did not have the toolkit to realize that the candidate for the job may actually be in another role on the team. We met with everyone on the quality control team, got rave reviews on the company's head of quality, and ultimately suggested to the leader that this was the person. They acted on that recommendation, and everyone lived – and worked – happily ever after.

New Year's Resolution

If companies are being honest with themselves, all evidence points to these evaluations being more mandatory than optional. The costs of waiting may not appear on a balance sheet, but they are adding up below the surface and beginning to inflict real damage. Skills sets are evolving quickly, and companies must go beyond the traditional financial and operational metrics to study their human capital assets. As the head coach, your job is to have the best possible lineup ready to take the field on January 1, and this process, done well, should not be overly resource or time-consuming. This is a straightforward, impersonal process aimed solely at driving better results – for employees, employers, and importantly, clients – and one we find many companies wish they had begun a lot sooner.

[1] Here's why the world of work urgently needs to put skills first | World Economic Forum. https://www.weforum.org/agenda/2022/03/work-skills-first/

[2] Springboard's State of the Workforce Skills Gap 2024. https://www.springboard.com/business/workforce-skills-gap/

[3] MIT Human Dynamics Lab, Alex Pentland; The 5 Most Important Characteristics of Great Teams. https://www.inc.com/marissa-levin/the-5-most-important-characteristics-of-great-teams-according-to-science.html

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