

Transforming Talent

How Hg uses data to build successful teams

Elizabeth Wallace, Head of Portfolio Talent at Hg, outlines how the use of data and new technology tools are transforming talent management at a time of great challenge and opportunity.



Talent is one of the greatest value-creation levers you can pull in a PE-backed company. Over recent years Hg has been enhancing its portfolio talent function, building repeatable, scalable and robust processes to match the rigour of its investment processes, in full recognition of the pivotal role of talent management in long-term company success.

Data for internal and external stakeholders

Both private equity and tech are data-driven sectors. Hg actively collects talent data from our portfolio companies on a quarterly basis, including information on compensation and diversity. This helps us to understand what level of maturity a company is at within their talent practice and what can be improved over time.

The adage applies here: 'What gets measured gets managed'. This data allows us to produce insights that can be applied by other companies in the portfolio to enhance talent acquisition best practice.

There are also external demands for better data. Investors are increasingly asking private equity companies to provide hard data on a variety of important topics such as Diversity & Inclusion. [Research has shown that diverse companies consistently outperform homogeneous ones](#) and the industry is in the midst of a shift towards this.

Candidates are also looking for data on employee wellbeing, Diversity & Inclusion, as well as corporate responses to external events or issues such as Covid, Black Lives Matter or climate change. And contrary to popular belief, this doesn't just apply to millennials; it transcends age groups and therefore also career levels, including C-suite candidates.

Long-term business success depends on tracking and responding to these internal and external demands as part of a company's talent strategy.

Using data to build successful teams

Diversity of thought in the management team and on the board has been identified as an important factor in company resilience and success. One of the obstacles to this cultural shift is the industry-standard management development tools for C-suite executives, which are generally based on experience and IQ. Many of these tools were developed several years ago, before the application of big data and analytics to business management went mainstream. While these tools can be useful for talent selection, they often only tell a small part of a bigger story.

Many diverse candidates fall through the net as they often don't 'pass' these traditional tests, which have generally been designed to test for specific levels of IQ only. For example, many successful business founders of well-known companies have famously 'failed' these tests (and in frustration set up their own companies). Modern tools that look for candidate potential and EQ are more reliable predictors of success in the world we live in now, where the challenges facing firms have changed. These tests take bias out of the process and instead of looking back at past experience, they look at the holistic picture – the potential the candidate can bring, along with value, motivations and strengths, as well as gaps. They help to select candidates with a greater range of skills and experiences, which ultimately aids diversity of thought in the management team.

This outlook is reflected in Hg's focus on building teams: this means we analyse the sum of the parts, not just the individual. The talent professional will still assess a candidate's individual strengths and developmental areas, but will also calculate how other team members could complement these skills and fill any gaps. Successful teams can be built by a combination of moving people, reorganising or restructuring, and designing talent development programmes – not just by hiring and firing.



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Elizabeth Wallace, Hg



This is particularly important to emphasise during the pre-deal phase, when talent professionals need access to assess teams and develop a talent strategy. This data collection should not be seen as a threat, but as a sign that Hg is investing time and energy in building the right team to drive future success.

Covid-19 and remote assessment

The role of the talent function has been elevated by the Covid-19 crisis. While building the ‘workforce of the future’ has been on the agenda for many years, the events of 2020 mean it has arrived sooner than expected. Data and new technology tools are fundamental to this new talent ecosystem.

So how does this data collection work in practical terms, particularly given the current Covid restrictions on in-person interactions?

Talent professionals have adapted to the new situation using a range of new tools. And this is no bad thing: new technology has given us greater flexibility, with less need for time-consuming travel and the ability to involve a wider range of people in the talent selection and development process.

For example, Hg was one of the first private equity companies to work with TeamScope, a talent selection and development platform. Its fully interactive functionality allows us to assess team members remotely via analytics ahead of a meeting, and then discuss feedback in an open communication session, with transparent output from all team members – including C-level executives.

The pivot to Zoom has been the big technology story of the pandemic. Of course, online meetings are not the same as being in the room. But processes can be put in place to make them more effective. We have redesigned our interview frameworks to ensure every angle is covered in depth. We are also ensuring we capture potential, especially when a candidate doesn’t come from the world of private equity, which allows us to broaden our talent pools. Meetings are shorter and more structured, and given a clearer focus to ensure that employees and candidates all have an opportunity to contribute, and enable accurate assessment.

The new environment has forced the talent function to become more mindful towards the experience of existing employees: for example, to be more clear on why a meeting is important, and the outcomes we are expecting.

Where possible, talent professionals need to be creative with data collection: if you can’t physically sit in the room, you can listen in on the phone, observe online meetings, watch how the team interacts, and note body language where possible. This data helps to build a picture – the more data, the more informed the hiring decisions can be.

This is where traditional people skills and wider experience and knowledge also come into play. Adapt the questions you ask the candidate. Fundamentally you need to ask yourself: “Without meeting this person face to face, do I think they could be our new CxO?”

Conclusion

Data on talent is essential for effective human capital management, and is something that investors, employees and candidates demand. The use of data and new technologies enhance our knowledge and capabilities, and enable scaling of processes across Hg’s portfolio.

The exigencies of the pandemic have [forced CHROs to take the lead](#) on creating new best practice in areas such as remote hiring and onboarding, and facilitating the development of successful relationships between team members who are working from home. It has also brought several other workforce issues to the fore, such as productivity, health and safety, and employee wellbeing, which all fall within the remit of the talent function, and all of which can be enhanced through effective measurement and data analysis.

Overall, the current situation has highlighted that the talent function can and should do things differently. It has underlined the importance of listening to our clients and customers, using quantitative and qualitative data. It has put the CHRO firmly at the top table. And it’s likely that these changes are here to stay.

Building businesses that change how we all do business

Hg is a specialist private equity investor focused on software and services businesses in Europe and the US.

Hg has c.200 employees representing the largest technology investment team in Europe. Our deeply resourced teams focus on specific sub-sectors and investment themes to identify companies which have the potential to grow, create employment and become a leader in their space.

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