



Talent's talent for creating talent at ArcelorMittal

'We are still a very young company,' observes Brian Callaghan, group head of leadership development. The age of the company belies its size. The combination in 2006 of the world's two largest steel companies to form ArcelorMittal has brought an exciting, albeit daunting, challenge. 'We're still building talent. We're only eight years old. What do you do when you put a new organisation together and start building your talent base? You start with the foundations.'

Recognising the value of people

There are impressive foundations. Resourcing a company of this size with over 230,000 employees and 500 top managers is a continuous process. The HR function works closely with ArcelorMittal's various business units to find and place the most suitable talent. *'It hasn't always been like this,'* says Callaghan:

'There has been a growing acknowledgement amongst leadership that a positive climate and engaged employees deliver value. [...] I believe that if you have good people processes that are executed by good people managers you can do remarkable things. Generally, good managers don't need to be taught good processes. It comes naturally. But some need good support and frameworks to help.'

Support is provided by the ArcelorMittal University, which is at the centre of the learning and development organisation in ArcelorMittal. The ArcelorMittal University is the driving force for the

implementation of the learning strategy within ArcelorMittal. With academies dedicated to transversal functions and expertise within the company, a growing number of regional training campuses on every continent and a direct link to a network of local training centres, it provides numerous opportunities for employees to grow. With over 11.3 million registered training hours globally, it is an important integrated element of ArcelorMittal's people development processes.

The framework at ArcelorMittal is also impressive. The Global Employee Development Programme (GEDP) focuses on improving skills, motivating employees and ensuring the group has a pipeline of talent for the future. Perhaps the most striking element of the pipeline is the pivotal role the group's top talent plays in the development of current and future talent in the business.

Building a robust evidence base

'Basically our GEDP is a classic performance management process,' explains Callaghan. 'Managers agree objectives aligned with the business strategy; they provide regular feedback and coaching; they hold a mid-year review; they provide more feedback and coaching; they hold an annual appraisal, which includes rating their direct reports, a five-point rating for performance and a five-point rating for potential. The process was designed just after the merger and every year it has matured. Managers and employees have become more familiar with it and the process improves year on year. At the end of the year when the annual appraisals take place, ratings require moderation. So, "Career Committees", as we call them, are scheduled. These start in the steel plants where the managers will review the performance and potential ratings of the people in that plant, making sure that the ratings have been applied fairly across the different functions. These ratings are then elevated to the next level, along with ratings from other plants, for further moderation. In all, there are about five or six levels of moderation culminating in a final Career Committee where Mr Mittal [the chairman and CEO] and the GMB [Group Management Board] will spend two full days reviewing the top of the pyramid – executive vice presidents, vice presidents, general managers – making sure that the ratings are arrived at in a fair and transparent way. This is important as ratings can impact other processes such as executive appointments, succession management, incentive plans and so on.'

Using talent's talent for talent, analytically

Ensuring ArcelorMittal's top talent plays a role in developing others is not just a nicety the business would like to have. It sits at the heart of how all leaders across ArcelorMittal are evaluated and rewarded and is driven home in the performance management and data collection systems. As Callaghan elucidates:

'For every manager, their first objective is to manage the GEDP process for their people. They must agree objectives; they must build and support development plans; they must provide regular feedback and coaching; they must conduct the mid-year review; they must conduct the annual interview. That's the number-one objective out of five or six personal objectives. At the end of the year, the manager has to make a case for their report rating, with tangible evidence of what has been achieved.'

Here, too, the evidence base is impressive. Over the last three years, of the 120 people who moved into top leadership roles via either internal or external appointments, just five people achieved a rating of less than 3 [on a five-point scale]. As Callaghan points out:

'A "2" in our scale means that they "somewhat met expectations". A "3" is "fully meets expectations", which is a very good rating. So, of the 120, 115, over a three-year period, fully met or exceeded expectations. That suggests that we made the right decision in promoting the people into those roles because they are delivering or exceeding what is expected of them.'

But the search for data to inform the people strategy does not finish there. The exceptional people talent ArcelorMittal has in place is regarded as a key source. The placement of an individual in a key position is not just for the formation and implementation of the business strategy, but the position's incumbent becomes a direct line of insight into the current and future strategic and operating challenges facing the business, and a reflection of the capabilities required to tackle them. The group is not just creating qualitative data by validating candidate profiles. They are building an internal capability that represents a sustainable architecture of value based on the collective capability of its executive cadre.

The job-profiling project that has been implemented over the past 18 months is not just a standard job description exercise:

'For all key positions across the group, senior management are interviewed and are asked detailed questions around "What are the strategic objectives of the job? What are the major business challenges that will need to be addressed? Who are the key stakeholders? What are the internal and external forces impacting the job-holder?" And of course, we seek views on experiences, attributes and competencies required to succeed. This information is used to develop output-based job profiles. In addition we build people profiles which include knowledge, experience, competencies and psychometric assessments. These are then used as the framework for succession management and development planning as we are able to conduct a compatibility exercise which shows the best-fit candidates for the roles.'

Looking at talent through a risk lens

Ensuring people are aligned with the business is not the only goal. ArcelorMittal has built a risk management element to their talent management.

'Why would we want to do that? Well, we don't want to put the wrong person into a key position because it represents a risk for the business and we want to protect the business by ensuring a certain level of sustainability. Equally, we want to ensure that our people have the best opportunity to utilise their natural capabilities. If you put a round peg into a square hole, the business is at risk and the person will not perform to their optimum level. It is important to ensure that candidates are suitable for the role and it is in line with their aspirations and with their profile. It's not just about putting the name of somebody who has been identified as high potential into a box for a particular role. The individual's career aspirations should be taken into account, so there is a career conversation with the individuals concerned. Obviously the education, knowledge, experience have to be taken into account.'

Far from de-personalising employees and their aspirations, then, ArcelorMittal's analytics are ensuring employees' hopes and aspirations are factored into the evidence base the company uses when placing talent, representing a hugely valuable return on insight from their investment in the analytics underpinning the GEDP.

'It's not perfect,' suggests Callaghan, but the returns go beyond this impressive understanding of ArcelorMittal's top managers.

'We have a very robust succession management process for the top 500 positions within the company. There's nothing extraordinary about it. At the end of the day we have for each of those key positions people identified as replacements. Last year 83% of movements in that space came from the actual succession plans. Our target was 80%. We don't want 100% because we believe that some strategic external hiring will bring different thoughts and different ideas to the company. Eighty-three per cent is very good and it demonstrates to our people that there are career opportunities.'

Talent: the c-suite's view

Key to the success is the way in which human capital strategy is aligned with the requirements of the business.

'I sit down with my boss [HR EVP Henri Blaffart], review the business plan, look at the HR component and determine how HR can best support the different business units. We will agree my personal objectives, with KPIs, which specifies what is expected of me for the year. The CEOs of the units, the CEOs of the businesses, the CFOs, the CMOs, will all have specific performance objectives linked to their respective business units, aligned to the overall business strategy. For every executive, and every manager across the company, the objectives include people-related components.'

Perhaps most tellingly of all is the impact this maturing evidence-based human capital strategy has had on employee engagement. Measured across 24,000 employees, the group's global survey of employees has not just seen its response rate increase from

56% to 75% over the last four years, but engagement itself has risen from 62% to 69% over the same period, in what have been incredibly challenging market conditions. Little wonder, perhaps, that during the conversation with Callaghan, he just happened to mention that his CEO Lakshmi Mittal made a presentation to the institutional investors during one of their regular meetings. As Mittal himself suggests, human capital strategy and the communication of the results from analytics can have a very positive impact:

'The GEDP process was designed as a continuous process of communication and feedback between management teams and individuals across the group. By making sure that individual objectives are clearly aligned with the company's strategy, the process is also helping us ensure that every one of us knows what our goals are as a company, what direction we are taking, and what our strategy is to achieve these objectives. It is therefore more than a process: it is a fundamental part of the company's business strategy, part of which includes having the best talent in the business in order to efficiently execute this strategy. In today's tough business environment, having a motivated and engaged workforce has never been so critical to the health and success of our company. One of the key elements of employee engagement is communication and leaders have a key role to play in this respect, to make sure each and every employee receives and understands key messages.'

This case study was written by Dr Anthony Hesketh, Senior Lecturer at Lancaster University Management School. The original version of this case study can be found in the report *Managing the value of your talent: a new framework for human capital measurement* (CIPD 2014).