

Talent management: the next dimension of strategic HR

Talent management is a hot topic among HR and business executives. **Lynne Morton** details how companies can effectively make the most of practical talent management initiatives

Is talent management more than just the newest fad in a field that aims to provide strategic advantage? And can it really provide value?

Those of us already on the talent management bandwagon realise it is much more than just a new phrase for old work. It is, in fact, a fresh way of looking at what we do and of finding new, more powerful ways to impact our organisations.

But it requires some clarification. In two recent studies conducted for The Conference Board, *Integrated and Integrative Talent Management* and *Talent Management Value Imperatives*, more than 50 global companies contributed to shaping the following definitions: Talent equals 'Individuals who have the capability to make a significant difference to the current and future performance of the company' and 'the integration of categories of initiatives with each other'.

The studies outline the eight categories of initiatives that, when combined, form talent management. Each of these categories includes several discrete processes; culture, for example, includes diversity, flexible workplace and values, while leadership development includes, among others, succession planning and executive coaching.

Both studies also sought to define the key characteristics of integrated talent management. Categorised as prerequisites, processes and performance, they include:

- Alignment with business strategy and goals
- CEO active involvement
- Talent mindset – the belief that talent is critical to the organisation now and in the future; that it can be developed; and that it differentiates culture and breeds competitive advantage
- Shared accountability – between HR/OD and the line; between 'talent' and the organisation
- Processes that analyse the workforce and target potential vulnerabilities
- Processes that enrich performance management and leadership/high potential development
- Understanding the difference between good and great, to find/retain/reward
- Measuring turnover or retention in critical positions

Talent management is often best summarised by those companies already engaged in the work – even though the research shows that most organisations have only consciously been involved in talent management, from the integrated standpoint, for three to five years.

Take HSBC, a talent-centric organisation that says one of its company goals is to make sure that the talent pool reflects the global customer base. At the core of its business strategy is a five year imperative that

it attract, develop and motivate people, rewarding success and rejecting mediocrity. That's a tall order, but it captures what talent management is all about.

Why should HR care?

Talent management provides a range of benefits: for the talent, for the organisation and the HR professionals involved in doing the work.

As the workforce changes workers seek a different sense of their relationship - often called an employee value proposition - with their employer. This emphasises a shared sense of responsibility for career development and growth.

Career development includes more than just promotion; it also includes a chance to learn and experiment. Often it reflects the growing desire to have a good relationship with the manager, who makes or breaks the bond between the individual and the organisation. When we are thinking of talent – those individuals who make a difference, or can, to the organisation – it is just this bond that we want to solidify.

Therefore, talent management benefits those individuals deemed exceptional by providing them with tools, and processes to learn, grow, and remain 100 per cent engaged. Individuals get frequent and honest feedback on both their performance and their potential. They get a range of opportunities to progress – some that come from learning on the job or developmental assignments, others that come from structured courses or programs. Through facilitated discussions, individual managerial interaction and participation in programs for high potentials (that very often include personal contact with the CEO and top management) they get more of a chance to be proactive in shaping their career with the organisation.

The benefits for the organisation are even richer. There is a strong correlation between how having a talent mindset or focus impacts financial results. Several organisations track the impact of HR initiatives on financial results. Watson Wyatt's Human Capital Index (HCI), conducted in 1999 and 2001, looked at the relationships between various human capital practices and shareholder value. Their study showed that the higher the HCI scores, the higher the shareholder value. Furthermore, the human capital interventions with the highest impacts were, in order; total rewards and accountability, collegial, flexible workplaces, and recruiting and retention excellence. All three, of course, fall under the purview of talent management.

According to the 2005 Hewitt Associates Best Employers in Asia study, best employers record over 60 per cent higher revenue growth, 30 per cent

higher growth in revenue per employee as well as half the recruitment costs of others. The talent management interventions employed by these 'best' companies include structures so that employees can meet their goals and frequent meetings with managers to discuss the work. At the core is the focus on the manager-employee relationship and creating a culture that values employees.

In addition the impact that talent management has on the financial or bottom line it also provides a wide range of benefits for the culture. By creating an environment in which frequent and honest feedback is the norm it promotes culture change. It also minimises risk.

Many organisations that start out in talent management do so because of their perceived need for leadership or succession planning. While there is nothing wrong with that as a reason to start, what is actually being done is HR risk management. Organisations that know what positions are critical to them (and those may not necessarily reside just in the executive suite) and the likelihood of their ability to keep those positions filled with outstanding individuals, should the incumbent leave the organisation, are being strategic. They are also mitigating risk.

Additionally, organisations working actively in talent management have a much better understanding of what sustains employee engagement. They are working at defining their difference between good and great performance. Talent-centric organisations are crafting leadership values and behaviours, competency models and enriched performance management processes to ensure they achieve the competitive advantage that people can provide.

One such organisation is Pfizer. Since Pfizer's CEO Hank McKinnell has made talent one of his five business imperatives, the company has developed explicit values and expectations for leader behaviours. These are reinforced in the talent planning process and are used globally to align people to the strategy.

Lastly, you should care about talent management because it offers benefits or value to HR professionals directly. Particularly to those have wanted a seat at the strategic planning table or the confidence of senior leadership. All too often HR work has been seen as transactional or soft. But talent management is hardly transactional. It is holistic thinking, and is totally aligned to



the achievement – in fact the creation – of business strategy.

HR executives who are responsible for talent management have frequent interaction with senior management, especially with the CEO. Since the CEO's involvement is required to make talent management successful, HR must coordinate and facilitate that involvement. Moreover, talent management leaders are likely to discuss issues of talent not only with the CEO, but also with the board.

CEOs care about talent and express their concerns about leadership and talent issues regularly. Leadership is also constantly in the news as a requirement of all businesses. So HR executives need to care about both. The *2004 CEO Challenge*, an annual study done by The Conference Board of what's most important to CEOs, found that of the top ten overall challenges, three relate to talent. Therefore, if you aren't involved in talent management, you will soon find yourself out of step with your CEO and the top team.

Talent management provides value for HR because it places you in a facilitative, business partner role, rather than in an administrative, behind the scenes one. Facilitating talent reviews or talent discussions provides you with an opportunity to show that you understand what the key business issues are and the human capital requirements for business success.

How can you get started?

There are several ways to begin your talent management work. Because the work is holistic, there isn't a linear path toward becoming a talent-centric organisation. Pick a starting place that works for you – one that captures the attention, and will fit well with the active participation, of the CEO. If you have some talent management 'skeptics' in your organisation, its worth beginning on something that will allow you to achieve a small success upon which you can build a larger effort.

Again, talent management is like change management: you may have to go after the low hanging fruit in order to gain acceptance and understanding. The examples of organisations that have been doing this work for several years, plus the challenges shared by those new to the work, point toward a few good starting points:

1. Identify critical jobs. Talent management is about capturing/developing both the potential and performance of everyone. But it is not likely that HR will have the resources or the time to develop initiatives that address the needs of the entire workforce. Therefore, the best place to begin is by focusing on the jobs that have the biggest impact on the organisation. Just the exercise of identifying those jobs – and they are jobs not individuals – will provide great benefit. Once those jobs are identified, the next step is to look at retention/recruitment needs for them. That will lead you toward a range of developmental options.

2. Develop a competency framework. People who join organisations bring more than just their training or functional knowledge. They also bring skills and abilities, some of which relate to the specific job they may do, others that relate to their interpersonal qualities. Being successful – being talented – requires all these factors, in various degrees and combinations depending upon the level and nature of the position. Competencies define the skills, knowledge and abilities that are required for success. They contain specific behaviours that are expected, along with specific skills,

and they relate closely to leadership models and company values. Developing a competency framework is an important first step to take in understanding what is required of talent – and for providing language that can be used consistently in recruitment and development.

3. Create tools/process for talent conversations. According to many organisations, talent management is all about conversations. In fact, several companies have said that the act of having conversations about talent is just as important as the outcome of those conversations. Conversations provide honest feedback between managers and employees, setting the stage for development and improvement. They are also the context in which managers share information with each other about talent and share talent directly. In this sense they create a culture of trust and collective accountability. However, knowing how to have these kinds of conversations is not instinctive. HR has a big opportunity early on in its talent management work, and throughout the process, to provide tools, tips, processes and training for managers and employees alike, to make the talent conversations effective.

4. Determine workforce vulnerabilities. Workforce planning is the newest and still the least integrated of all the categories of talent management initiatives. Yet it is the one that commonsense tells us should be one of the starting points. With today's ageing/retiring baby boomers, outsourcing and offshoring of work, and many different styles of working, understanding the makeup of the workforce has never been more important. If you can't tackle a study of the entire workforce, you should at least look at the critical departments. This kind of focused study will allow you to see patterns of retention and employee feedback, plus potential retirements. It will allow you to determine impending workforce vulnerabilities that can be addressed by talent management.

5. Enhance the performance management process. The fastest way to start integrating your disparate talent-related initiatives is to concentrate first on the initiative that touches more of the others: performance management. Performance management is the most integrative because it involves the greatest number of people in the organisation. Everyone has a manager, everyone has goals and everyone should have discussions about how they are performing. The rigour of

your performance management process needs to be examined right when you start talent management thinking. One of your first efforts should be to make performance management a process, if not a part of the way people work, rather than just an annual event.

Motorola's performance management process contains just that sort of rigor. After five years, their process has evolved to include a series of behavioural-based assessments that are then calibrated so that talent is ranked relatively. The ranking forms the basis of decisions around professional development and leadership opportunities.

6. Structure ways for the CEO to be visibly involved. Virtually all companies that excel in talent management do so with the visible, active participation – not just support – of their CEOs. Such involvement takes the form of sharing the values of talent with all employees; organising town hall meetings to discuss or probe for employee feedback gathered; designing, as well as teaching, leadership development or high potential programs. Some CEOs, such as Jack Welch of GE and Ken Chenault of AmericanExpress, set their own personal bar at spending at least 30 per cent of their time on talent-related initiatives. They recognise that talent is the core of their business and want to be fully attuned to the needs of talent. Early on, determine an appropriate mix of ways for your CEO to visibly participate in the talent work.

Some concluding thoughts

Wherever you start with talent management, it should be clear that you ought to get moving! Talent management is here to stay and may well mark the future of HR itself. Technology is becoming rapidly enhanced or developed to support it. Senior management is aware of it and asking about it. The shifting employee base, with its special sense of employee value propositions, expects it.

And we can't forget the personal impact it offers for HR professionals to enhance skills and visibility with senior management, as well to provide strategic impact on the organisation. HR has long sought a way to do the latter; talent management is now offering it.

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