

# Managing talent for competitive advantage

## Taking a systemic approach to talent management

Getting the right people in pivotal roles at the right time should be nothing new to HR professionals, but done effectively, talent management can create long-term organizational success. Here, Lynne Morton and Chris Ashton show how to align talent management strategies to business goals, integrate all related processes and systems and create a “talent mindset” in your organization.

**T**ALENT MANAGEMENT (TM) IS more than a new language for old HR work, or just the next “hot new thing” for HR practitioners and managers to get involved in. For many organizations, it has become a strategic imperative.

McKinsey research<sup>1</sup> reveals that 75 percent of corporate officers were concerned about talent shortages and Deloitte reports that retaining the best talent is a top priority for 87 percent of surveyed HR directors.<sup>2</sup> This need for talent – and, therefore, its expert management – is also driven by macro trends including:

- New cycles of business growth, often requiring different kinds of talent.
- Changing workforce demographics with reducing labor pools and, therefore, a talent squeeze.
- More complex economic conditions which require segregated talent and TM.
- The emergence of new enterprises which suck talent from larger organizations.
- A global focus on leadership which is now permeating many levels of organizations.

### The strategic importance of talent management

On the basis of substantive research undertaken for our forthcoming report (see sidebox, right), we argue that good TM is of strategic importance and can differentiate an organization when it becomes a core competence – and when its talent significantly improves strategy execution and operational excellence.

For example, imagine your company has the right talent in pivotal roles at the right time. What difference will these people make to revenues, innovation and organization effectiveness compared with having to operate without them? What is the cost of the lost opportunities – and the downtime and replacement costs – of losing critical talent? What are the consequences of having to make do with the wrong kind of leaders and managers in the top two executive layers – or of not having successors groomed and ready to replace them?

Yet generally, organizations still struggle with TM. According to research, three-quarters of business leaders have invested dedicated resources in TM – but most say they haven’t yet felt the impact of doing so.<sup>3</sup> Why not? Through our research, we tried to provide reasons by asking these questions:

- Why are you doing TM? Is it for the individual, the organization or both?
- What do you mean by talent – and talent management?
- What are your propositions for attracting and retaining talent?
- How do you manage and use the talent your organization needs?
- How are internal roles and resources deployed appropriately to support TM?
- How is TM integrated across HR processes and with business planning and strategy execution processes?

These are the difficult aspects of talent management which take much thinking and planning to resolve. It's a long journey to "success" as First Data Corporation has experienced. The following case study illustrates how TM is embedded into the strategic fabric of the organization.

### Case study 1: First Data Corporation

US-based First Data Corporation (FDC) is a world leader in electronic commerce and payment services. Its success is built on three core strategic goals:

- Sustained revenue growth.
- Business expansion.
- Organizational excellence in flawlessly executing millions of transactions a week.

Talent management at FDC – its focus, leadership, acquisition, retention, evaluation and tools – has evolved over five years, and continues to be a work in progress. The evolving talent plan aligns with goals, business strategy and their organizational implications. The talent office annually reviews analytics and recalibrates talent to align with growth and other organizational needs. The current growth objective is 15 percent. "Ours is a numbers business, which tends to reflect a short-term view," says Annmarie Neal, senior VP, organization development. "Yet, we also have to build a leadership bench and talent pools, not around the execution capabilities we're known for, but on a customer-solutions focus and strategic foresight. Investments in talent aren't short-term – they need at least three-year horizons to see returns."

The key issue for FDC is to accurately identify high potentials with different capabilities such as strategic thinking, partnership building, results orientation, innovation and talent leadership – and then build succession depth. In effect, they are building talent balanced with buying it, guided by the notion of critical positions – that is, those positions that positively impact on the strategic goals or their execution.

"We are now applying our processes for identifying, assessing and growing future leaders to our more junior, untested populations who we expect to be our next VPs." Technology, as Neal explains, has allowed them to do more – in depth and breadth – with the same headcount. TM initiatives at FDC include:

- Talent profiling of individuals.
- Conducting calibrations of business performance and key results behaviors.
- Assessing and forecasting succession depth.
- Implementing organizational assessment summaries to give status reports for leadership talent.
- Using just-in-time, action-learning programs and talent-sharing assignments.
- Developing "talent at risk" tools based on potential derailers and defection triggers.
- Introducing a talent scorecard with five perspectives, each of which has critical indicators – hiring,

## 10 TALENT MANAGEMENT PRIORITIES FOR HR

This article is based on the forthcoming report, *Differentiating Talent Management*, by CRF Publishing. Based on interviews in case organisations with HR/OD practitioners, talent managers and talented individuals, it concludes with these 10 priority issues. They will guide your choice of appropriate approaches and practices that could make a difference to your talent management efforts:

1. Rethinking/establishing the talent focus – talent definitions, values/principles, business context and talent market trends.
2. Positioning talent management – strategic or tactical, decisions, actions and how talent processes are designed/delivered.
3. Integrating talent and business – the TM system and alignment with the strategic management process and annual/quarterly operating plans.
4. Leading the talent focus – the quality of leadership focus, direction and defined talent roles.
5. Examining culture and talent mindset – common language, consistent messages and cultural attributes and negative influences.
6. Assessing capability and accountability – defining talent capabilities, accountabilities for talent, quality/frequency of talent conversations and talent measures/evaluation.
7. Process design and implementation – people/technology issues, success rates from talent processes and process shortcomings/failures.
8. Assessing talent performance – improved talent development, realising potential, talent deployment and talent performance.
9. The talent agenda – to keep this agenda fresh and responsive through continued support, consistent interpretation, regularity of discussions, etc.
10. Reviewing talent management – to establish how well you compare with other organisations or business units/functions internally in talent focus, delivery and shortcomings.

For details of the 234-page report, contact CRFP on info@crfpublishing.com or visit www.crfpublishing.com

performance, retention, transportability and succession pipeline.

Taking stock of FDC's TM efforts to date, Neal acknowledges success but suggests there are significant issues for the organization to resolve:

1. Accountability for talent rather than expectations, to ensure leaders actually hire/develop talent for the future.
2. Evaluating the effectiveness of what the talent office and OD team do in TM, with support from HR.
3. Strengthening the FDC value proposition for wider



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- ◀ appeal to potential talent outside the organization.

### Defining TM

As we see it, TM is a strategic and holistic approach to both HR and business planning or a new route to organizational effectiveness. This improves the performance and the potential of people – the talent – who can make a measurable difference to the organization now and in future. And it aspires to yield enhanced performance among all levels in the workforce, thus allowing everyone to reach his/her potential, no matter what that might be.

Though this interpretation of talent is inclusive, it strikes a strategic balance between performance and potential. Performance – historically, the primary focus of measurement and management – concerns both the past and the present, whereas potential represents the future. Our position assumes that potential exists, it can be identified and it can be developed.

Here are specific ways that two case organizations in the report define talent:

- Executive management team leaders, directors/VPs and A-player managers in all functions – plus B-players as potentials.
- Future business leaders with more strategic capabilities than just operational excellence skills – plus specialist talent able to execute business integration projects on time and to budget.

Clearly, there isn't a single consistent or concise definition. Current or historic cultural attributes may play a part in defining talent, as will more egalitarian business models. Many organizations acknowledge that talent, if aligned with business strategy – or the operational parameters of strategy execution – will change in definition as strategic priorities change. For example, in start-up businesses, the talent emphasis will be different to the innovative or creative talent needed to bring new products to market. Any definition needs to be fluid – as business drivers change, so will the definitions of talent.

### What TM involves

Talent management is the integration of different initiatives, or constructs, into a coherent framework of activity. There are certain crucial components and a useful model for defining TM is to think of it in these key words:

- Ethos – embedding values and behavior, known as a “talent mindset,” to support the view that everyone has potential worth developing.
- Focus – knowing which jobs make a difference and making sure that the right people hold those jobs at the right time.
- Positioning – starting at the top of the organization and cascading throughout the management levels to make this a management, not HR, initiative.

- Structure – creating tools, processes and techniques with defined accountability to ensure that the work gets done.
- System – facilitating a long-term and holistic approach to generate change.

### Case study 2: Reuters

Reuters is a global information company, providing critical information for professionals in the financial services, media and corporate markets. It has approximately 14,500 staff and revenues of UK£2.9 billion.

Having undergone a tremendous amount of change in recent years, its strategy is now focused on:

- Fix It – the Fast Forward business transformation, now two-thirds complete.
- Strengthen It – expansion into related business areas and improvements in service resilience.
- Grow It – efforts to capitalize on structural changes in global markets.

Reuters has been on the TM journey for about four years, with a new focus on leadership and people to counter the economic upheavals the business experienced in 2001. As a result, the organization underwent widespread and multi-faceted people changes: downsizing in some areas, outsourcing in others, and recruiting in key growth areas. Even during this period, retention of critical talent was recognized as extremely important, and may be seen as Reuters' first step in TM.

Talent management provided a way to focus and simplify its tools and resources, while also sharpening its focus on key talent. As a result, it has started to embed a talent mindset in the organizational culture, with a renewed emphasis on employee engagement.

The approach includes:

- a 9-box performance/potential grid (based on the GE model);
- an OPR – Organizational and People Review – process that includes individual assessment and calibration, as well as strategic analysis of the people requirements to achieve business strategy; and
- a senior-level mandated process that touches about 3,500 people, with recommended use at subsequent managerial levels.

The approach is a facilitated one, the premise being that managers own the talent and are responsible for developing it. HR facilitators encourage business unit leaders to take ownership of TM work by conducting a Talent Review Workshop. The process for the workshop, along with tools and guidelines to run it, has been rolled out globally and is now being used in 98 different countries. Although the reach of these efforts to date has been broad, its business impact hasn't been as evident. Reuters is on target with some of the HR analytics, such as retention, which are

tracked in their balanced scorecards, but they can't yet trace the impact of TM efforts clearly. For example, although their ISR engagement studies show that employee engagement has gone up, it's difficult to trace that back to the TM work.

Nonetheless, the difference in the organization is palpable. The senior team has developed an open and flexible mindset to share talent one level below them, since they now view that talent as a corporate asset. They work together to share and develop this group, which is a great challenge for an organization with such global reach. One of their forthcoming initiatives is a Talent Sharing Forum. Now being piloted, this is designed to create cross-group profiles and to encourage sharing and swapping of talent. Other talent management challenges include:

- ensuring managers have quality conversations with talent, at many levels;
- getting more alignment between high performers and what's expected of them;
- supporting the work with technology; and
- adding further levels and greater integration of TM initiatives.

### Integrating TM through a system

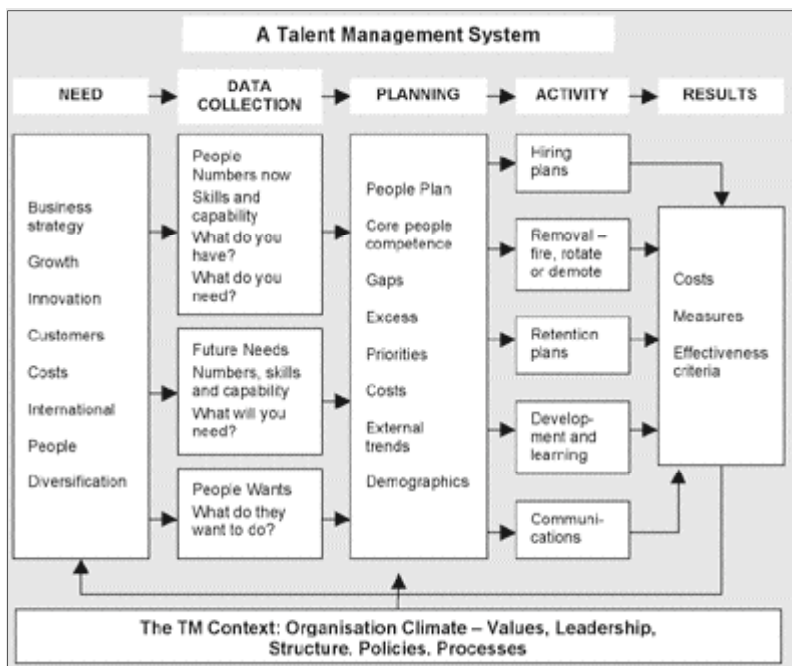
It's worth emphasizing that integration is critical. Our research shows that without integrating TM activities, the effort invested will tend to be dissipated with patchy results. Integration is knowing how all the pieces of TM fit together within a TM system. This will not operate in isolation from strategy, business planning and the organization's approach to people management.

In this sense, the work of talent management cuts across what has been traditional HR silos. If integrated, it functions in a more facilitative, OD-like nature. It will also reach higher up the organization than other HR initiatives, often attracting the attention of boards and senior teams. Similarly, TM reaches down the organization, to include new recruits along with tenured professionals. Lastly, talent planning must be done in parallel with business planning, creating a rich integration of people and strategy.

One way of achieving such system integration and alignment is the CRF Talent Management System (see Figure 1, above right). This systemic view of talent has five elements:

1. Need – the business need derived from the business model and competitive issues.
2. Data collection – the fundamental data and “intelligence” critical for good talent decisions.
3. Planning – people/talent planning guided by data analysis.
4. Activities – the conversion of plans into integrated sets of activities.
5. Results – costs, measures and effectiveness criteria to judge the value and impacts of TM.

Figure 1. The CRF Talent Management System



Using this system can help TM become a strategic differentiator rather than a standard set of HR processes – if the right conditions, context, timescales and offerings exist in the first place. System integration and alignment ensures that TM efforts are rational and fit for purpose.

Since the arrival of the current era of “talent” is widely acknowledged, it's not surprising that renewed significance is being placed on the management of that talent. And as talent continues to be viewed as a strategic differentiator, its management will take more of a strategic role. How fascinating it will be to take the pulse of talent management in the business community in another five years. We believe that while the management of talent will most likely become embedded in the fiber of cultures by then, the HR executives who led those initiatives will have achieved much more prominence.

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