

'Organisation performance through a human capital lens'



Managing the Talent Equation:

The seven fundamentals of Talent
Management

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Managing the talent equation:

The seven fundamentals of talent management

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Despite a voluminous amount of text written on talent management, for many the term remains something of an enigma, whilst for others it has a very defined and narrow meaning.

This white paper looks to provide a more comprehensive view of what talent management is from an individual's and organisation's perspective pointing out the challenges that are inherent. To assist understanding the article describes seven fundamentals that organisations need to grasp in their pursuit of successful talent management strategies.

'Getting the 'right' person in the 'right' job at the 'right' time to attain the 'right' performance in the 'right' way with the 'right' readiness for the next 'right' role'.

Doing 'it right'

There has been much talked and written about talent management (TM) in recent times to the point of saturation. Unfortunately much has impacted through perpetuating market understanding and much confusion still reigns. Of the more leading material published on this topic, much has focused on TM as a set of integrated management processes. Some has focused on the intelligence and science needed. Little has articulated a coherent framework that captures the inherent complexities, i.e. the reality contained in the quote above, and that provides the required solutions.

This definition sits very close to our definition of human capital management and in many ways that is correct. Talent management incorporates a sizeable cluster of the human capital management field but not all. Thus our interpretation is that talent management is an important subset of human capital management.

It's quite a challenge to manage from an individual employee lifecycle perspective. It's a very demanding and complex remit from an organisational perspective to 'get it right' and provide the basis for sustained competitive advantage (and I include the public sector here). This surely is the ultimate goal of talent management, whether it is setting the optimal organisation strategy or whether it is successfully executing it?

However setting a strategy around TM and executing on it requires a practical, working definition and thus the above quote is a good place to start.

The statement contains seven fundamentals for talent management. For organisations to deliver on the talent equation, they need to execute all of these fundamentals well. However, as a precursor, senior leadership needs to see talent management as a strategic driver, or quite possibly a philosophy and all line management with people responsibility need to embrace it also.

[A note on definition]

'Talent management is a collective term used to describe an organisation's approach to managing and utilising its human capital capability and performance.'

As such it can be viewed as much as a philosophy with strategic intent designed to provide the organisation with competitive advantage¹.

This helps in overcoming the myriad of obstacles that organisation design throws up everyday that gets in the way. That is no easy task.

Our own work with clients reveals a different picture which is supported by field research¹ in that:

- *Senior management understanding and support* - questions over senior management support or focus on talent management
- *The commitment of line managers* to the talent management process and the problems of 'ownership' of resources, where talent is reluctantly 'let go'
- *The silo environment* - in relation to above, the problem with separate Business units/Directorates that does not encourage two-way talent traffic in terms of career development whether vertically or laterally
- *Poorly executed performance management* - good performance management practice is more likely to be avoided or limited where performance differentiation is required, particularly in cases of

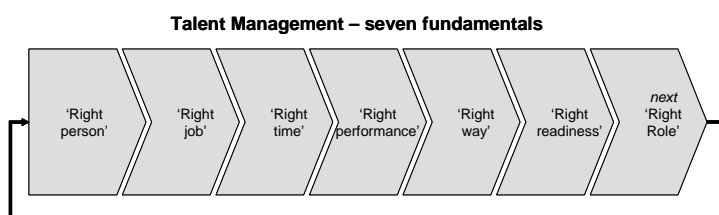
¹ Making talent a strategic priority, The McKinsey Quarterly 2008 Number 1

- under-performance which undermines any formal talent process
- *HR's predominant administrative role* that is commonly followed rather than focused more on the quality and the larger talent management picture. For example, witness the prevalence of the appraisal completion metric.
 - *Talent as 'tick-box succession planning'* – where talent management is viewed as succession planning and a process that has all the merits of a tick-box exercise rather than the strategic imperative. This is related to one or more of the observations above.

The lack of a cohesive talent management framework that incorporates the various inter-related activities and processes, driven by analytics that enables real-time dynamics of talent pooling and resourcing means that organisations are falling way short of that needed to be effective.

Data from our HCM evaluations in organisations, across both public and private sectors, shows the talent management index to be the lowest scoring of the fifteen indicators².

The seven fundamentals



In understanding talent management there are two perspectives that need to be taken into account – the individual view and the organisational view. Much comment and observation on talent management, though informative, quite often fail to differentiate these two inputs to the overall equation, with the result that 'solutions' can be too bland to fit the organisational context.

² VaLUENTIS VB-HR™ HCM Evaluator database, base client sample of 253 organisations

Individual level

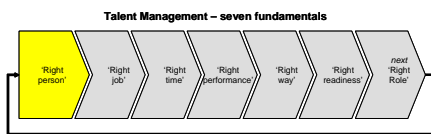
Getting the 'right' person	the 'right' job	'right' performance	'right' way	'right' readiness	The next 'right' role'
<p>Individual aptitude, skills mix, experience and knowledge</p> <p>Individual needs to have a degree of self awareness of strengths /limitations</p> <p>External selection requires access to the enabling 'channels' to locate appropriate job</p> <p>Internal selection requires access and sponsorship</p>	<p>Utilises skills and meets short-term (and possibly longer) aspirations</p> <p>Individual may seek role that fulfils one of three states:</p> <ul style="list-style-type: none"> • Continuance commitment • Affective commitment • Normative commitment <p>Impact upon individual engagement if not the case</p>	<p>Engaged and productive to required level</p> <p>Issues of capability or conduct? Issues of performance?</p> <p>Solved by developmental interventions?</p>	<p>Displays behaviours and values expected</p> <p>Issues of conduct? Issues of capability?</p> <p>Solved by developmental or more forceful interventions?</p>	<p>Has the capability to step up to next role</p>	<p>Meets shorter-term expectations with longer term career aspirations</p>
'Exit at start' through alternative offer	Exit if better elsewhere	Exit if alternative elsewhere Or exited	Exit if alternative elsewhere Or exited	Exit for alternative	Exit for alternative. Also can be a result of not being selected

Organisational level

Getting the 'right' person	The 'right' job	Attaining 'right' performance	...In the 'right' way	'right' readiness	The next 'right' role'
MAIN TALENT SYSTEM FEATURES					
<p>Selection process: external recruitment and internal resourcing</p> <p>Provides an entry point skills/ competency mix to input to organisational database, particularly in any organisation with more than ten people</p> <p>Particular skill-sets above and beyond set criteria should be recorded for search analysis</p>	<p>Criticality of job role in terms of scope/impact/ risk/people responsibility e.g. generic 5 levels A-E</p> <p>This may or may not have similarities to any current job banding/grading scheme in place</p> <p>A critical role exercise is a core component of strategic HCM and one that boards should mandate</p>	<p>Assesses/graded to a predetermined scale e.g. 1 High performing 2 Good 3 OK/threshold 4 Under-performing</p> <p>Appraisals can be 90 through 360 processes recognising that all have limitations</p> <p>Also requires link to reward mechanisms and focus on behaviour in achieving goals</p>	<p>Assesses/graded against competencies required in terms of behaviours and values expected</p> <p>Developmental plans</p>	<p>Use of assessment criteria providing 'pools of talent' for all A roles through to depth desired (benchstrength)</p> <p>Succession planning is seen as a segment of this.</p> <p>The requirement here is to have more than one candidate option for each defined role which gets past the limitations of succession planning when done as a compliance task</p>	<p>Needs to trade-off availability/ opportunity of roles against individual desire</p> <p>Have to ensure equity and also need to be wary of dealing with the response to non-selection of any individual.</p> <p>For any role organisations should have a short-list of people 'ready' - effectively the bench-strength</p> <p>Career lattice providing vertical/ horizontal paths</p>

INTELLIGENCE					
Market demographics	Role criticality matrix	Performance grading matrix	Performance grading/ capability matrix	Readiness matrix i.e. talent pool	Role coverage matrix Vacancy matrix Forward vacancy matrix
MEASUREMENT EXAMPLES (see key below)					
[B] Requiring specific context	Time to fill	Appraisal completion PDP in use	Appraisal completion PDP in use	% staff with Readiness indicator	No of vacancies No of promotions
[O] Contract acceptance rate Exit interview data	Role criticality turnover current and trend	Appraisal feedback quality Engagement indicators per critical role Initiation interview data	Appraisal feedback quality	Assessment of performance post-new role entry	Internal/ external ratio Retention rates (x-org) Specific related engagement indicators Initiation interview data
[S] Employer brand index HPC per role EVP differentiator	Role stability index Role Scarcity indicator BU/Directorate comparator	Performance rating distribution Performance orientation evaluation	Performance rating distribution People management effectiveness	Bench strength Coverage Placement effectiveness	Retention rates of A/B players and in A/B roles
[R] EVP/Employer brand EVP impairment/ depreciation	Role turnover rate - current and trend Segmented analysis	System 'gaming' index	Values alignment index	Identifying and filling 'Talent holes' Critical role bench-strength indicator	Critical role 'hotspots' (exposure)
B = Base (limited) metrics O = Outcome based metrics S = Strategic measurement R = Associated risk metrics					
KEY DECISION-MAKING					
Market positioning with regard to resourcing requirements Individual selection	Job design Identifying A roles Identifying B and further category roles	Grading rationale Individual/role suitability Poor performance identification	Core value enforcement Dealing with unwanted or misbehaviours Enforcing requisite behaviours	Development timing Development planning Retention versus promotion trade-off	Selection optimisation
HCM FUNCTIONAL ROLE					
Employer brand guardian Selection process owner Operations analyst	Role criteria enforcer Operations analyst	Auditor System intervention: Process oriented or developmental Operations analyst	Auditor System intervention Operations analyst	Process owner Auditor Process oriented or developmental Strategic analyst	Strategic analyst

1 Getting the 'right' person



Talent management is viewed with starting at the hiring stage, though the fact that internal resourcing is just as critical is often overlooked.

The external focus

Much has been written on recruitment and selection and I am not going to expand here, save for a few observations. Many organisations still appear to be compromising when it comes to recruitment as there is still a mentality of 'getting bums on seats' no matter that certain quality of hire standards are overlooked in the process.

There is never a good reason for hiring people who do not meet the specified standard. The ramifications are more costly. The excuse trotted out is always the same with the inevitable same result. Recruitment compromise should not be endorsed due to failures in workforce planning or poor line management. However, management targets, budgets and the 'panic' induced by 'short-staffing' can all work against the principle of good recruitment.

The external hiring of the right person requires three core components:

From the individual perspective,

- The person needs to have access to the opportunity via the recruitment channels used i.e. through targeted media or network events or similar.
- The individual also needs to identify with the employer value proposition from the start which is not just about reward.
- The person needs to have the right mix of knowledge, experience, skills, competency and aptitude in order to perform to expectation

From the organisational perspective,

- The organisation (through the HR function) needs to identify the likely sources of the talent they require and in maintaining market intelligence that requires a change or adapting.

- The organisation needs to define and measure/compare its employer brand and the associated employee value propositions (EVPs) for the various employee role segments.
- The organisation needs to have a toolkit of selection assessment techniques from interviewing through to assessment centres, psychometrics plus references and insights (notice the recent use of Facebook). The HR function needs to be clear as to who is accountable for the various parts of the process. Evidence still suggests that there is far too much poor execution at this stage.

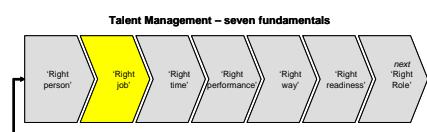
Internal resourcing

It should also be remembered that internal resourcing is the alternative or the complimentary part to external hiring. New internal roles offered should follow the protocol of external hiring but very often through expediency do not.

Unfortunately the expediency (even if the right decision) can portray a different set of values than those espoused. HR functions need to give sufficient thought as to introducing certain fast-track processes that can be seen as equitable whilst satisfying the need for the role to be filled. The point is the equitability of the resourcing process and how it is seen from those in the organisation. Line management need to ensure that they follow and/or lobby for improvements or else their individual actions will seem to be undermining this aspect of talent management.

For more on the human capital market and employer branding aspects see the strategic human capital management framework³

2 The 'right' job



³ Competitive Advantage through Strategic Human Capital Management, Journal of Applied Human Capital Management, Volume 1 Number 1 2007

From an organisational perspective, not all roles contribute equally to the performance of the organisation. This is not to say that certain roles are without value, but to acknowledge that certain roles have a disproportionate impact.

Organisations will each have specific criteria that will identify what are sometimes termed 'A' positions, and it is important for issues around strategic execution and risk that these are understood, from the perspective of effective talent management.

The following sample selection of A roles illustrates how these can differ by sector (with potential variation within sectors dependent on specific operating model):

Here's an example selection of A roles:

- CEO
- Pharma: sales/client account R&D
- Retail: branch managers, buyers, product specialists
- Transport: drivers
- Healthcare: surgeons, consultants, nurses
- Local Government: Directorate Heads
- Funds: asset managers
- Consultancies: partners
- Media: editors
- Insurance firms: underwriters
- FMCG: product managers
- Infrastructure/energy: engineers
- Airlines: pilots
- IT software: new product programmers
- Universities: Dean, professors (leading in field)

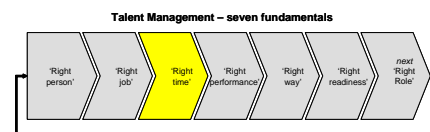
Quite often criticality of role is confused with the scarcity of market resource. This becomes an issue where roles assigned with 'A' criticality also suffer from a scarcity of available resource. This scenario is very well documented at CEO level but the question should be asked as to why organisations are going to the external market. It is a sure-fire sign of a failure of talent management which leaves them exposed.

Market scarcity should mean that organisations focus on internal development particularly with regard to managerial positions. Where an organisation is forced or chooses to go to the external market to fill a

high proportion of manager positions, we observe in our evaluations that this typically raises questions for staff around the criteria for promotion and their application, and creates challenges for the organisation in embedding a consistent set of values/behaviours. Additionally, this can degrade the willingness of high-performing staff to develop their careers within the organisation (hardly the aim of an effective talent management approach).

With regard to lower order critical roles, organisations go far and wide to source. Human capital markets are always in flux and suffer from temporary shortages of one sort or another. In these events, organisations have to rely on their marketing of the employer brand and organisation performance.

3 At the 'right' time

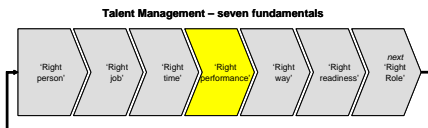


'Timing is everything', they say. And it's particularly crucial in the talent process. From the organisational perspective, it is not always possible to ensure a smooth transition for post holders, even given notice periods and scheduled retirement. Accordingly, the onus falls on organisations to ensure that key or 'A' roles are covered with appropriate staff who can 'step up' should the role become vacant at short notice, to mitigate a decline in productivity or the cost of external recruitment.

This may sound seductively straightforward, but the key phrase is 'appropriate staff'. This is not just about people having the right skills and experience, but also being at a point in their career where 'the next step' is right for their aspirations.

Failure to align the expectations and timings of the individual with that of the organisation (through dialogue and clear feedback/mentoring) will lead to suboptimal performance and a failure (partial or otherwise) of the internal talent process, ending most probably in exit of the individual concerned.

4 Attaining the 'right' performance



At the heart of this stage is the performance management system in use which may or may not be the official one stipulated. This is an area of notorious history of inadequacy. The very fact that much investment has been thrown but has yielded such mixed results possibly provides an insight to inherent complexity.

Too often performance 'appraisals' (unfortunately performance management is seen only through this narrow view) at ground level are too often associated with the managing performance and therefore distorted. Experience with clients show a number of common characteristics of 'failure'. These are:

- Tick-box task mentality pervades which undermines the importance of the process
- Completion rates are variable with no penalties for line managers who abdicate the responsibility
- Grading is often 'gamed' either for reward reasons or to avoid 'hassle'
- Development plans often become disconnected from their intent and become meaningless
- Many line managers struggle with the basics of setting coherent and meaningful objectives which are difficult to evaluate
- Poor performance is poorly managed in too many cases since it can be the route of 'least hassle'

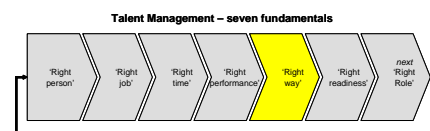
There's no definitive 'one way' to getting a performance management system optimised. But the objectives are clear. The organisation needs a way of equitably differentiating performance of individuals and teams, that links to reward whilst providing development outputs. Ensuing actions need to be mandated and the whole process needs to be evaluated for effectiveness. As such it is the engine driving talent management. Anything

less is a failure.

Engagement

One factor feeding into performance is an individual's engagement. A very much overlooked part of employee survey data is the proxy engagement indicators that can be identified at A role (and other roles) to provide meaningful insight. More work can be undertaken at this level on an individual basis should the data provide cause for concern.

5 ...In the 'right' way



Performance is multidimensional, often blending technical capability, people/team management skills and individual capabilities in addition to the ability to achieve financial or 'hard' standards of performance.

Given the relative lack of ambiguity relating to such hard measures (e.g. hitting or missing a particular sales target; managing a directorate to enhance KPI performance within a set budget), organisations have typically placed a lesser emphasis on behaviours and 'how' an individual achieves targets. The tension can be illustrated by a manager who is successful at driving revenue growth, but treats people in such a way that they rotate through or out of the organisation. In this case the value of the sales can be identified, but, to take a true picture of the manager's financial contribution, the organisation should theoretically discount this by increased hiring costs, time taken to fill vacant posts arising and the potential damage to the employer brand.

In assessing achievement the how should be as important as the what. Many organisations use competency frameworks as the basis for development as opposed to performance assessment. However, they are also there to ensure that appropriate behaviours are displayed in pursuit of goals.

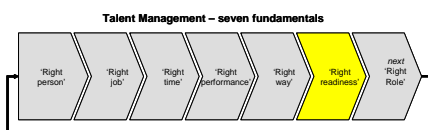
This can also extend to values if sufficiently articulated as meaningful actions/ behaviours.

HR's role in ensuring that talent conducts activities the 'right' way therefore should be central. As the customary guardians of values and competencies, the function should place emphasis on ensuring that any values/competencies are sufficiently meaningful in different areas of the organisation to allow assessment and differentiation.

This, of course, presupposes that any frameworks in place are robust and 'fit for purpose' as opposed to representing a wish-list of behaviours.

Additionally, the function should audit any talent reviews conducted to identify appropriate assessment and, additionally, whether the current articulation of competencies and values is sufficient to meet the organisation's needs.

6 The 'right' readiness



One purpose of effective talent management is to nurture high-performing staff in key roles to create their readiness for progression within the organisation. Depending on the staffing model in place, this may take place over a short timeframe (e.g. an 'up or out' approach) or over a more extended timeframe.

Whatever the scenario, talent management approaches face the dual challenge of ensuring that individuals are at the appropriate level of 'readiness' in terms of their capability or promotability into the next role.

The tradeoffs relating to this will often include readiness for the next role, as opposed to having the opportunity to develop skills required for longer term progression within the organisation.

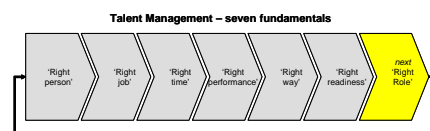
As an example, a highly-effective sales representative may be rapidly promoted to sales manager covering an area on the basis of their effectiveness in sales, before they have been exposed to elements of people and financial management that would

accelerate their progression within the organisation.

Accordingly, there is a trade-off to be made between retaining people at a lower level in the organisation to provide more time/opportunity to develop a broader range of skills, versus rapid promotion that risks over-extending them (the Peter Principle) or degrading the impact of people reporting into them.

Given current analytical techniques and related decision science, organisations and HR functions should be able to identify the propensity for an individual to perform at the 'right' level when given a new role in light of parameters such as their individual capability, length of service and prior performance.

7 The next 'right' role'



Decision science plays a big part at this stage. How well is the organisation matching opportunities with talent pool? How do the developmental needs get covered? Is support pre-post or post-post in focus?

Organisations consist of a number of job roles within functional or related groups, with different levels of seniority. This picture, however, is exceedingly dynamic. Every day, the post holders of the majority of these roles can resign, seek promotion, take a leave of absence or secondment or can request to work part-time. The organisation can augment, combine or cut the number of roles available and the progressions within job families.

Accordingly, this picture is complex and not just a matter of having an updated 'organisation chart'. From the perspective of talent management, each day has the potential to generate new scenarios and opportunities for individuals in the organisation.

Therefore any systematic approach towards identifying and collating an organisational picture must not only acknowledge the many potential options, but be able to evaluate potential attractiveness for individuals

concerned. Given the nature of potential scenarios, larger organisations face significantly more complexity in this area than a relatively small organisation or one with homogenous job roles.

Adding it all up

The real problem facing organisations is that despite their efforts, an individual can voluntarily exit at any point in the cycle with varying costs to the organisation. Thus the overall objective from a talent management perspective is twofold: ensuring that talent is optimised especially in the critical roles identified to gain competitive advantage whilst minimising the costs of 'talent drain' the leaking of key talent over time. This is the complex challenge of talent management.

Inevitably this focus on channelling the supply of talent has linkage with workforce planning exercises. Whereas talent management looks predominantly at maximising internal resource capability for organisational and individual benefit, workforce planning focuses on future scenarios relating to technical skills, capabilities and external supply of related staff.

Accordingly an organisation that is effective at managing its internal talent possesses an advantage from a workforce planning perspective – not simply because retaining high performing staff for longer is likely to be a simpler exercise, but because this will both inform and minimise workforce planning requirements.

The use of forensics

We have alluded in several places to decision science, analytical approaches and related investigation. Talent management provides effectively the optimum combination for the use of forensics, in that organisations face complex questions with no clear 'right' answer, coupled with availability of prior data/information on aspects of performance, capability, job role progression, leaver points and related information.

Talent management, therefore, allows HR functions full scope to add value to the organisation through generating insights into people management that can be harnessed for predictive application.

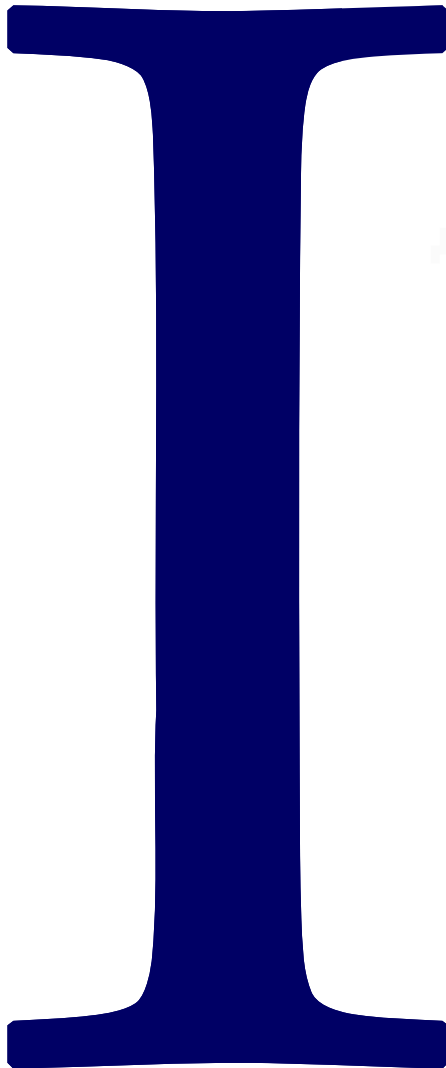
Summary

Research from our VB-HR Rating evaluation on people management practice has found that talent management has consistently ranked bottom of our management indicators thus providing a 'market' business case for intervention.

In understanding talent management there are two perspectives that need to be taken into account – the individual view and the organisational view. Much comment and observation on talent management, though informative, quite often fail to differentiate these two inputs to the overall equation, with the result that 'solutions' can be too bland to fit the organisational context.

Consideration of seven elements, coupled with the right decision science and analytical/forensic techniques, will assist organisations in developing a predictive understanding of how to apply talent management approaches in a way that maximises individual and organisational performance, at the same time reducing the 'hidden' costs of turnover of high-performing staff in core or critical roles.

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