## Talent Management Strategy – Keys to Success

In 1997, McKinsey & Co. coined the term "War for Talent" after a yearlong study which concluded that the most important corporate resource over the next two decades would be talent.[1] The study concluded that the demand for smart, technologically savvy and globally astute businesspeople would outstrip the supply.  The search for the best and brightest was predicted to become an ongoing battle and not only would organizations need to become better equipped to recruit skilled talent; they'd also be challenged to be able to retain them.

How does the outlook compare almost a decade and a half later?  Businesses compete today in a global environment, and traditional differentiators such as technology, physical resources and innovation are accessible and easily replicated.  Talent has emerged as a key source of competitive advantage, and the imminent shortage of skilled businesspeople remains acute - and if anything has gotten worse.  An aging population of Baby Boomers and the tendency for Generations X & Y to frequently change jobs has made it increasingly difficult to attract and retain leaders and skilled knowledge workers.  Reorganizations and downsizing that occurred as a result of the recession have served to further damage leadership pipelines.

How have organizations responded to these challenges and trends?  Research conducted by Bersin & Associates[2] shows that talent management is a top concern among HR professionals, and yet only 5% of organizations are confident that they have a clear talent management strategy and operational procedures in place.  The reality is, a strong commitment to human capital management will separate winning companies from the rest, and organizations that excel at implementing talent management strategies will yield a competitive strategic advantage.

So, what does it take to create an effective Talent Management Strategy?  First of all, it requires executive level sponsorship and support.  Senior leadership needs to communicate the importance of talent management as an organizational priority, and must be actively involved in the process.  It also requires a clear understanding of the corporate vision and direction, because to be effective, Human Resource Strategy needs to be grounded in Business Strategy.  To be respected as partners, HR practitioners must fully understand and support the requirements of the business they serve.

By understanding the needs of the business – now and into the future, HR leaders can identify competency requirements that reflect the knowledge, skills and abilities that will be necessary to support strategic objectives.  The competencies must also reflect the corporation's values and culture.  Otherwise, skilled individuals are hired who simply are not a good fit for the organization.  Once defined, these competencies need to be embedded in all of the HR processes; including recruitment, selection, development, and evaluation.

The next step is to segment the workforce to identify critical roles. These are key positions that exert an important influence on operational activities or the strategic objectives of the organization. Without these roles, the organization would be unable to effectively meet its business objectives. Critical roles are not confined to senior levels, and extend to include key positions throughout the organization.

Once critical roles are identified, it is necessary to conduct a talent review. How are staff members currently performing? What is their potential? Keep in mind that current and past performance is a strong indicator of potential, but the two are not synonymous. In fact, according to the Human Capital Institute, more than 70% of today's top performers lack the critical attributes essential to success in future roles.[3] People who perform well in their current roles can fail miserably if they are promoted beyond their level of competence. When determining potential, it is important to avoid manager evaluation bias. The use of objective assessment data can be helpful in this regard. Many organizations make use of the nine-box methodology to visually represent where individuals fall relative to performance and potential. This can be helpful to support leadership roundtable discussions where performance and potential are openly discussed and calibrated.

Then, there is the question of transparency. Should people be told whether or not they have been identified as "high potential"? Doing so allows high potential talent to be recognized and valued. It increases retention and creates a heightened accountability for development. It also provides people with an opportunity to "opt out", since not everyone will be willing to invest the time and energy required to develop their potential. However, if the communication is not handled effectively, it can lead to false expectations and the "crown prince/princess" syndrome. It can also create unwanted stress and pressure for those who are identified as "high potential". And what about people who are not identified? What can be done to ensure they feel valued and not discounted? These are all important factors to consider. Ultimately, the decision of whether or not to communicate this information openly needs to relate back to the organizational culture. Does the organization value and espouse open communication and transparency? If so, the approach taken to talent management needs to align. If the choice is made to communicate transparently, it is imperative to equip managers with the training and tools necessary to support them in communicating these messages effectively.

Once the talent review has taken place, it's necessary to conduct a gap analysis. Are there any critical roles that are currently unfilled? What about future requirements? What are the organization's plans for growth? Where do you anticipate attrition and who is eligible for retirement over the next five to ten years? This is where succession planning comes into consideration. Are there capable people available to backfill critical roles immediately? If not, are there any who could step into the role on a temporary basis until a suitable replacement can be found? Are there people who have the potential to take on the role in the future? Where do gaps exist? To fill these positions, the possible options are to buy, build, or borrow. In other words, talent to fill key roles can be acquired, it can be developed from within the current workforce, or the roles can be outsourced or filled through the use of a contingent workforce.

In situations where there are no staff identified as having the necessary potential for the roles in question, or where the time required for development is too long to fill the identified gaps, then "buying" talent is an appropriate strategy. To be effective at recruiting desired talent in a competitive environment, it's important to consider employer brand image. What is the value proposition for employees, and how does it get communicated? Some smart and savvy organizations have started to customize their employer brand to meet the needs of different demographic segments. Recruiting material and language can be differentiated to market to multiple generations and cultures. It's also important to consider various recruitment strategies, depending on the desired target market. These may include internal referrals, on-campus recruitment, web-site advertisements, recruiting firms or the use of social media. When making selection decisions, it's critical to assess candidates against the competency requirements, using best practice methodology, including standardized behavioural

interviews and psychometric assessment tools.

Once desired talent is acquired, it's imperative to invest in orientation and on-boarding efforts. In the past, the probationary period was one in which the employer assessed the employee's degree of fit for the role and the organization, but today, it has also become the window during which employees assess their level of satisfaction with the employer and the organizational culture. During this time, if employees have not felt a meaningful connection with the organization and their peer group, and if they do not clearly understand the vision and how they fit within it, it is very likely that they will leave. This is particularly true for Generation Y, who will soon be the largest demographic group in the workforce.

In situations where it is possible to "build" or develop staff from within to fill key roles, the critical questions are what knowledge, skills or abilities are missing, and what is the most effective way to develop them? Managers and executive assessment data can provide insight into development requirements, but 360° Feedback is also a useful tool, because the people who interact regularly with high potential employees are often in the best position to identify their areas of strength and opportunities for improvement.

When it comes to constructing development plans, the 70/20/10 rule must come into play. The best development plans are based 70% on learning and development that occurs through on-the-job experience, 20% on feedback from others and from observing and working with mentors and role models, and 10% from formal training and course work. Many organizations pair high potential staff with coaches and mentors to accelerate their development. It's also important to structure action learning experiences that will give these employees exposure to senior leadership and critical roles and assignments. This might include stretch assignments, special projects, job shadowing and cross training. In a global organization, high potentials will benefit from opportunities to work abroad. In order to provide necessary exposure to key roles, it is critical to establish a culture that supports the development of high potentials by allowing for the free flow of talent across the enterprise. In addition to focusing on development for high potentials, it's important to consider the development needs for the broader organization. To remain effective in today's changing times requires ongoing development for people at all levels, even if the intention is for them to remain in their current roles.

To engage and retain desirable talent, staff need to feel they are making a valued contribution that the organization recognizes and rewards. This is why it is important for people to understand where they fit within the corporate strategy, and how they are contributing to it. Adequate compensation and rewards are valuable too, but there are other factors to consider in order to maximize retention. Career development is a key driver of employee engagement, particularly for Generations X and Y. If people don't feel they are being developed and given opportunities to grow, they are likely to leave. Strong leaders understand the importance of having regular career conversations with staff members to understand what they are interested in, what areas they want to develop, and how they can be of support. Career development doesn't necessarily imply vertical progression, as many staff will be motivated by lateral moves that offer an opportunity to develop skills and be exposed to different areas of the business.

Finally, to be effective and respected, HR needs to be able to measure and evaluate the results of the investment in talent management. There are many measures that can be used to track and monitor progress. These include considering the length of time required to fill vacancies, the ratio of key positions for which no internal replacement is available relative to the total number of key positions, the percentage of key roles that are filled internally, external hires as a percentage of total hires, average performance ratings for new employees in critical positions, and turnover statistics within key roles. Keep in mind that it's useful to know how the organization is performing on these measures *before* new strategies and approaches are implemented, so that you can compare results and measure the return on investment. By taking this approach, HR will be in a position to build credibility

and demonstrate value as a strong strategic partner in the business.

[1] The original yearlong study, entitled "The War for Talent," was conducted in 1997. Its authors later published a book of the same name, which was based on updated research conducted during 2000. See Ed Michaels, Helen Handfield-Jones, and Beth Axelrod, *The War for Talent,* Boston: Harvard Business School Press, 2001.

[2] Josh Bersin, "Talent Management: State of the Industry," hronline.com, June 2008.

[3] Human Capital Institute, "Is Your Talent Pipeline at Risk? Engaging High Potentials," hci.org, April 2011.