

# Talent Management

## What is it? Why now?

May, 2006  
Josh Bersin , Principal



"Talent Management" has become one of the most important buzzwords in Corporate HR and Training today. In this article we will explain the history, principles, and processes of talent management and help readers understand our research agenda in this important area.

### From Personnel to Strategic HR to Talent Management

To understand why Talent Management has become so important, we must first look at the evolution of corporate HR:

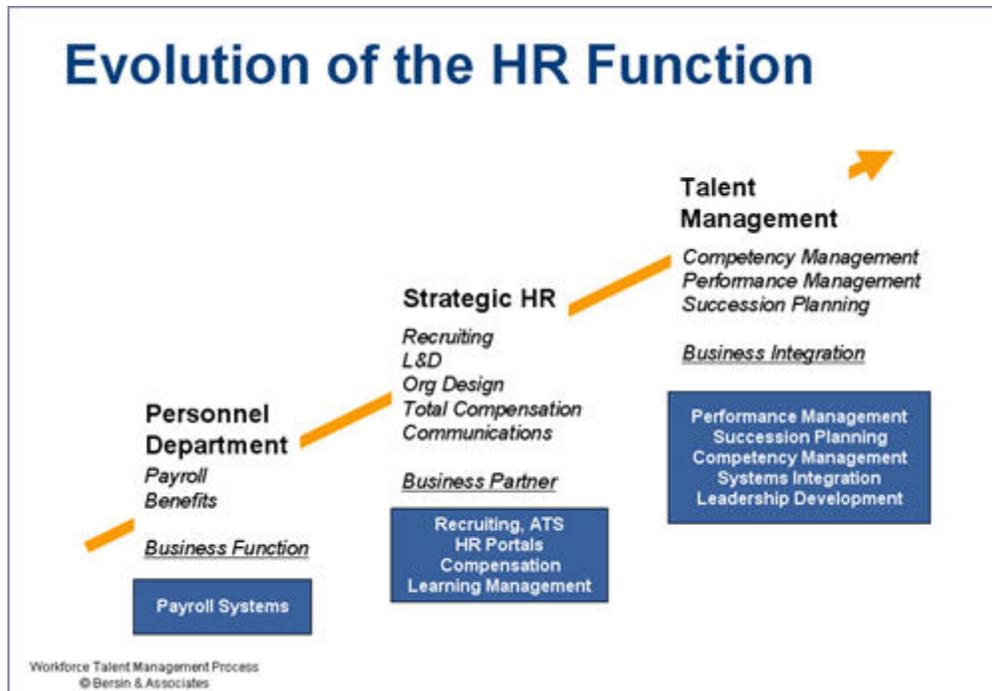
#### Stage 1: Personnel Department:

In the 1970s and 1980s the business function which was responsible for people was called "The Personnel Department." The role of this group was to hire people, pay them, and make sure they had the necessary benefits. The systems which grew up to support this function were batch payroll systems. In this role, the personnel department was a well understood *business function*.

#### Stage 2: Strategic HR:

In the 1980s and 1990s organizations realized that the HR function was in fact more important - and the concepts of "Strategic HR" emerged. During this period organizations realized that the VP of HR had a much larger role: recruiting the right people, training them, helping the business design job roles and organization structures (organization design), develop "total compensation" packages which include benefits, stock options and bonuses, and serving as a central point of communication for employee health and happiness.

The "Head of Personnel" became the "VP of HR" and had a much more important role in business strategy and execution. The systems which were built up to support this new role include recruiting and applicant tracking (ATS), portals, total compensation systems, and learning management systems. In this role, the HR department now became more than a business function: it is a *business partner*, reaching out to support lines of business.



### Stage 3: Talent Management:

We are now entering a new era: the emergence of "Talent Management." While strategic HR continues to be a major focus, HR and L&D organizations are now focused on a new set of strategic issues:

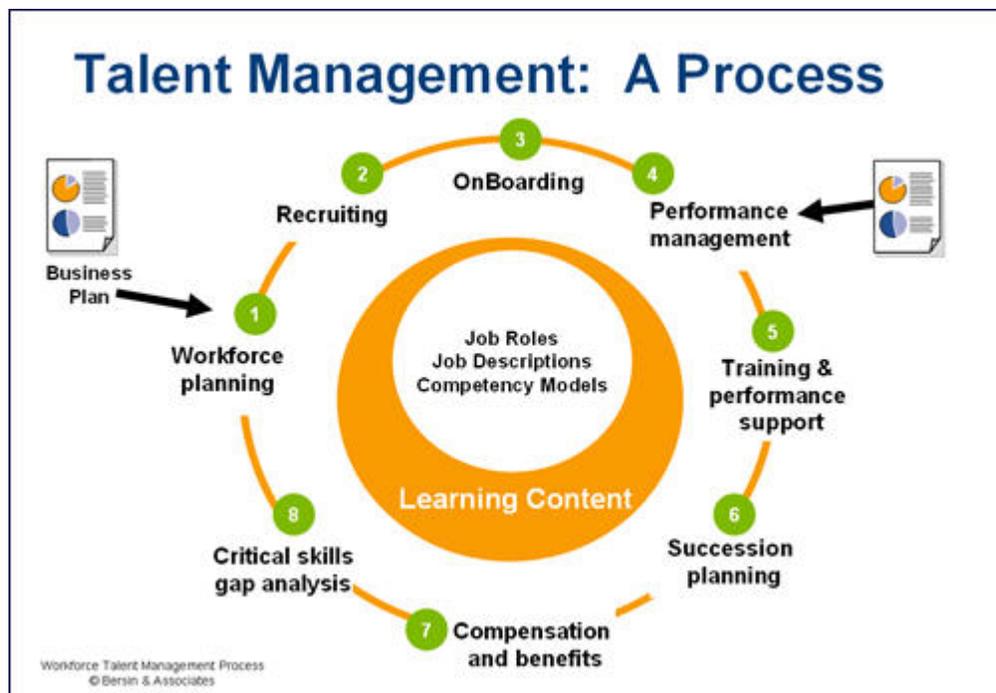
- How can we make our recruiting process more efficient and effective by using "competency-based" recruiting instead of sorting through resumes, one at a time?
- How can we better develop managers and leaders to reinforce culture, instill values, and create a sustainable "leadership pipeline?"
- How do we quickly identify competency gaps so we can deliver training, e-learning, or development programs to fill these gaps? How can we use these gaps to hire just the right people?
- How do we manage people in a consistent and measurable way so that everyone is aligned, held accountable, and paid fairly?
- How do we identify high performers and successors to key positions throughout the organization to make sure we have a highly flexible, responsive organization?
- How do we provide learning that is relevant, flexible, convenient, and timely?

These new, more challenging problems require new processes and systems. They require tighter integration between the different HR silos -- and direct integration into line of business management processes. Today organizations are starting to buy, build, and stitch together performance management systems, succession planning systems, and competency management systems. The HR function is becoming *integrated with the business* in a real-time fashion.

Best-practice examples of companies embarking on these processes include Aetna, Capgemini, Eastman Chemical, Kimberly-Clark, PitneyBowes, SCI, Seagate, Steelcase, Textron, and more. You can read about these companies' talent and performance management initiatives in [Performance Management 2006](#).

## Defining the Talent Management Process

Organizations are made up of people: people creating value through proven business processes, innovation, customer service, sales, and many other important activities. As an organization strives to meet its business goals, it must make sure that it has a continuous and integrated process for recruiting, training, managing, supporting, and compensating these people. The following chart shows the complete process:



**1. Workforce Planning:** Integrated with the *business plan*, this process establishes workforce plans, hiring plans, compensation budgets, and hiring targets for the year.

**2. Recruiting:** Through an integrated process of recruiting, assessment, evaluation, and hiring the business brings people into the organization.

**3. Onboarding:** The organization must train and enable employees to become productive and integrated into the company more quickly.

**4. Performance Management:** by using the *business plan*, the organization establishes processes to measure and manage employees. This is a complex process in itself, which we describe in detail in our new research [Performance Management 2006](#).

**5. Training and Performance Support:** of course this is a critically important function. Here we provide learning and development programs to all levels of the organization. As we describe in the [Death of the Corporate University](#), this function itself is evolving into a continuous support function.

**6. Succession Planning:** as the organization evolves and changes, there is a continuous need to move people into new positions. Succession planning, a very important function, enables managers and individuals to identify the right candidates for a position. This function also must be aligned with the *business plan* to understand and meet requirements for key positions 3-5 years out. While this is often a process reserved for managers and executives, it is more commonly applied across the organization.

**7. Compensation and Benefits:** clearly this is an integral part of people management. Here organizations try to tie the compensation plan directly to performance management so that compensation, incentives, and benefits align with business goals and business execution.

**8. Critical Skills Gap Analysis:** this is a process we identify as an important, often overlooked function in many industries and organizations. While often done on a project basis, it can be "business-critical." For example, today industries like the Federal Government, Utilities, Telecommunications, and Energy are facing large populations which are retiring. How do you identify the roles, individuals, and competencies which are leaving? What should you do to fill these gaps? We call this "critical talent management" and many organizations are going through this now.

In the center of this process are important definitions and data: job roles, job descriptions, competency models, and learning content.

## How do you Develop and Implement a Talent Management Strategy?

As I describe above, Talent Management is a natural evolution of HR. It is a series of business processes -- not a "product" or "solution" you can buy.

Organizations we speak to are focused on different elements -- driven by their maturity and the urgent business problems they face today. While a few mature organizations have dealt with most of the processes above, most organizations focus on several of the key elements and build an integrated approach over time.

Additionally, Talent Management is a "forward-looking" function. Not only should talent management improve your organization's flexibility and performance, it should give you the information and tools to plan for growth, change, acquisitions, and critical new product and service initiatives.

A few critical issues we have identified in our research:

### **1. Talent Management requires integration and communication between existing HR-L&D functions.**

Training can no longer be "left on an island." As we detail in our workshops, the L&D organization must align much more closely with the performance management and recruitment process. Training programs should be developed and updated to continuously address problems which surface in the performance management process. New hires which are hired because of certain competencies should see a set of training offerings which complement and reinforce these competencies. Compensation program should naturally tie to the performance management process.

## **2. Competency management, a mis-understood and difficult part of training and HR, has become critical.**

The job descriptions, roles, and competencies used for performance management are shared by L&D, recruiting, and succession planning. There are many techniques for effective use of competencies - many are described in our performance management systems research. A simple best-practice is for your organization to have a small set of consistent, easy-to-understand competencies which can be applied across the organization.

## **3. Software solutions are maturing.**

Despite vendor claims, there is no complete "talent management" software solution yet. Vendors each offer different elements of this solution. To solve urgent problems, most companies today buy standalone systems: standalone learning management systems, standalone performance management systems, standalone recruiting and standalone compensation systems. As the market matures and companies press harder for integration, vendors will create more integrated solutions.

Even if you do find an integrated toolset which manages multiple talent processes, the biggest challenges in implementation are integrating your own business processes. Our keynote new research report, [Performance Management 2006](#), details the state of this industry and provides detailed analysis of the top 20 performance and talent management systems providers.

## **What does this mean to your Organization?**

Talent Management is a powerful and important trend across HR and L&D. It changes the way you are organized, how you use technology, how your resources are allocated, and how you measure what you do. If you are a training manager, director, or CLO, talent management will impact your role. You may be asked to integrate your learning programs with the company's performance management initiative.

Many organizations have a new job: The **VP of Talent Management**. This role typically includes Learning & Development, Performance and Competency Management, and Succession Planning functions. We believe that this integrated "HRD" function is an important evolution in the way HR organizations are run.

## **What does this mean to your HR-IT Strategy?**

Talent Management will also impact your systems strategy: For example, do you want a stand-alone LMS or should your LMS be integrated with the company's performance management systems? What systems integration are the most important? How do you use competency models to tie learning to performance management? What "suite" products are mature enough for your particular organization's needs?

The role of HRIT has also become much more complex. It is no longer possible to focus on HRIS systems alone - HRIT must understand learning technology, competency management technology, portal technology, and the integration of these different applications. In many organizations LMS systems, for example, are not managed by HRIT. Over time we believe the role of HRIT will be more strategic than ever.

## **How can you learn more?**

One of the best ways to learn more about this important area is to read our keynote new research report: [Performance Management 2006](#). This report, the culmination of almost 18 months of

research in this area, will help you understand best practices, trends, and vendor solutions in performance and talent management and give you valuable insights on processes, systems and strategies.

We are actively involved in vendor research, best-practices research, and case studies. If you have questions or a best-practice case study to share, please contact us.

## Key Research to Help you Understand This Area

[\*Performance Management 2006 Industry Study\*](#)

[\*The High Impact Learning Organization Research\*](#)

[\*The Convergence of Learning and  
Performance Management\*](#)

[\*High Impact Learning Organization Workshop\*](#)



## *Confronting the Leadership Crisis: What Works, What Doesn't, What Lies Ahead*

*Highlights and Insights from Hay Group and Chief Executive  
magazine Research into "The Best Companies for Leaders"*

## 2 Agenda

- The Leadership Crisis
  - Hay Group/CEO Magazine “Best Companies for Leaders” research findings:
    - What works
    - What helps
    - What’s not worth the effort
  - What you can do about it
- 
- Presenters
    - Mary Fontaine
    - Tharuma Rajah
    - Bruce Sevy

### 3 The global leadership crisis

- Some economists are calling this an “economic tsunami”
- Organizations around the globe are struggling to develop the number and quality of leaders they need to survive and thrive
  - In the US and Europe it is a crisis of replacing retiring leaders
  - In India and Asia it is a crisis of keeping pace with growth
- Globally, the limiting factor for continued organizational success will be access to a sufficient number of high-quality leaders

## 4 Are you prepared?

- What's keeping today's CEO awake?
  - Identifying potential leaders
  - Getting them into the pipeline
  - Getting leaders developed as quickly and effectively as possible
- The Hay Group / CEO Magazine research provides the critical insights you need to chart a path forward

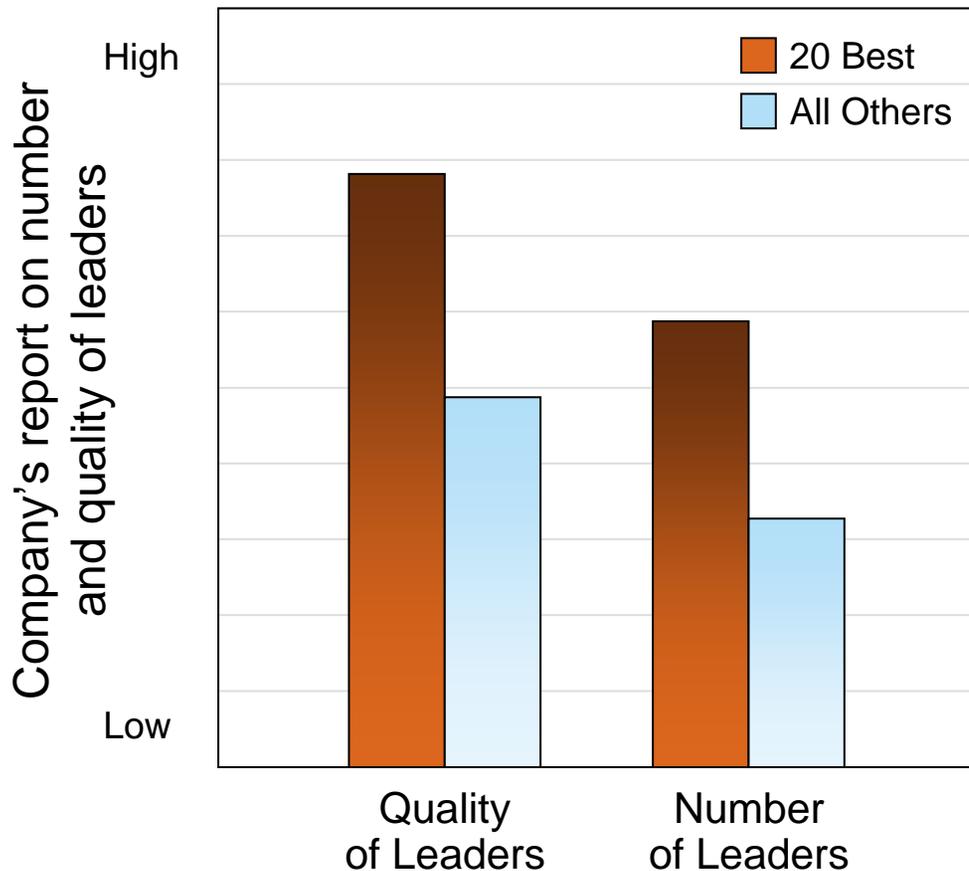
## 5 Hay Group/CEO Magazine Research

- In 2005, Hay Group and CEO Magazine partnered on a study looking at leadership development in 300+ global and regional companies
- We focused on:
  - Satisfaction with the number and quality of leaders
  - Philosophies, programs and practices used to develop leaders
- We collected data from four sources
  - Surveys completed by senior line managers and HR leaders
  - Industry peer ratings
  - Insights from leading academicians
  - Ratings from executive search firms
- Here's what we found...

## 6 The Global Best Companies for Leaders

1. Procter & Gamble
2. PepsiCo.
3. IBM
4. General Electric
5. Johnson & Johnson
6. Dell
7. Microsoft
8. Home Depot
9. JP Morgan Chase
10. Motorola
11. Pfizer
12. FedEx
13. BASF
14. Verizon
15. BAE Systems
16. Johnson Controls
17. Siemens
18. BP
19. L'Oréal
20. Colgate-Palmolive

## 7 The Global Best report having more & better leaders



- The global best report:
  - more leaders
  - better leaders
- For all organizations, having enough leaders is the critical issue

## 8 Having strong leaders pays

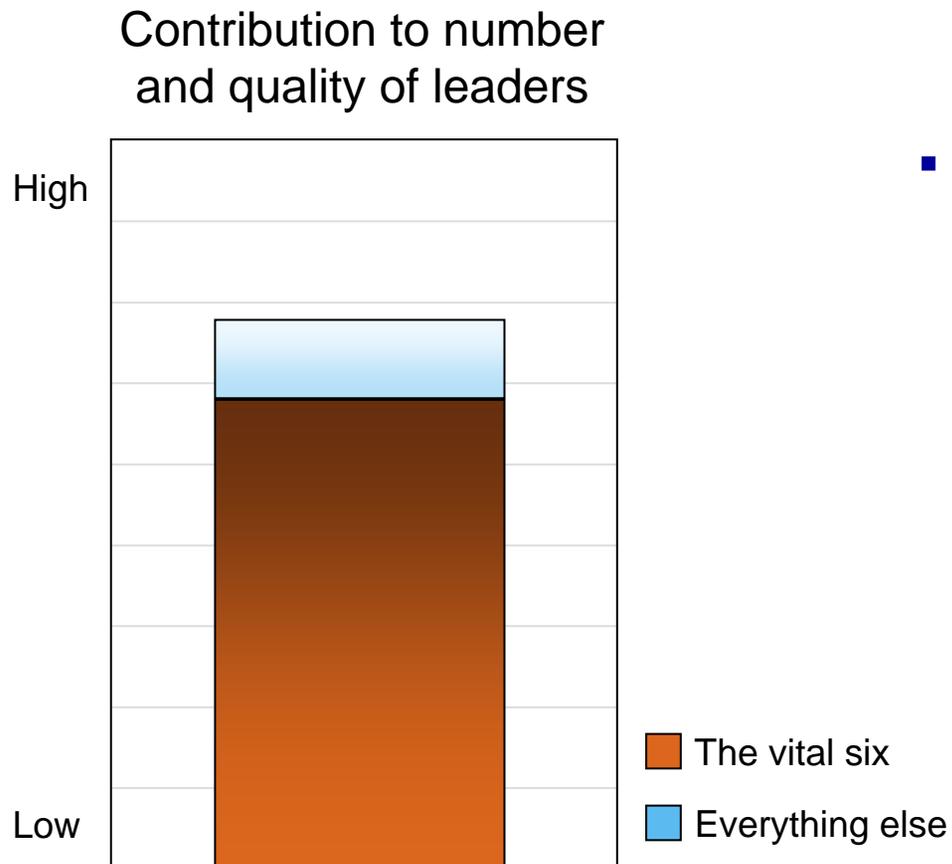
### 5-Year Annualized Return on Share Price



## 9 Key findings

- The best companies for leaders invest heavily in leadership development and do more of “everything”
- Not everything makes a difference, but there are a vital few things that do
- In combination, six things account for most of the difference in number and quality of leaders
- Just developing individual leaders won’t get you there
- What differentiates the best is that they work at three levels:
  - Organization
  - Team
  - Individual

# 10 Contribution to number and quality of leaders



- The vital six account for 2/3rds of the differences in number and quality of leaders
- Contribution is the same for the best small companies as for the global best

## 11 The vital few that really matter

Best Global Companies for Leadership focus on the “Big Six”

1. CEO and senior leaders make leadership development a top priority.
2. Leaders at all levels are accountable for creating a work climate that motivates employees to perform at their best.
3. Leadership *teams* receive training and coaching to help them work together more effectively.
4. Mid-career managers receive job-shadowing opportunities.
5. High-potentials receive objective 360-degree assessments and feedback on their leadership ability early on.
6. Mid-level managers get enough time to take part in leadership development activities early in their careers.

## 12 If you have the resources, do these next

- External MBA programs
- External coaches for senior executives
- Internal coaches for mid-level managers
- Specific skill building for lower-level managers
- Externally run development programs
- Job rotations

## 13 What to cut?

Some practices make little or no contribution to the number and quality of leaders

- Paper-based self-study leadership modules for mid- and senior-level managers.
- Outdoor activity-based programs for mid- and senior-level managers.
- Internally run classroom-based leadership training programs for mid-level managers.
- Using internal coaches to coach senior executives.
- Using external coaches to coach mid-level managers.

## 14 What you can do

1. Make sure you and your senior executives are personally involved in leadership development and creating a culture of leadership
2. Hold leaders throughout the organization accountable for creating high performance work climates
3. Provide development for leadership teams and not just for individual leaders
4. Use objective assessment and feedback to focus development in the areas that make the biggest difference
5. Start early, make time and ground leadership development in the real world

# 15 Thank you for participating

## More information

- For more information on “The Best Companies for Leaders,” visit [http://www.haygroup.com/Chief\\_Executive/](http://www.haygroup.com/Chief_Executive/)

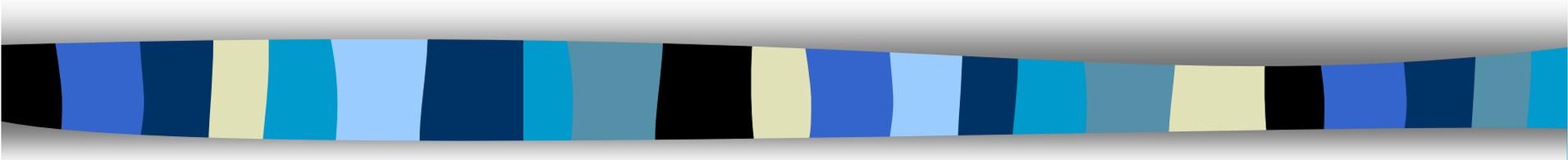
## Questions or comments?

- Send an email with questions or comments to: [Leadership\\_Development@haygroup.com](mailto:Leadership_Development@haygroup.com)

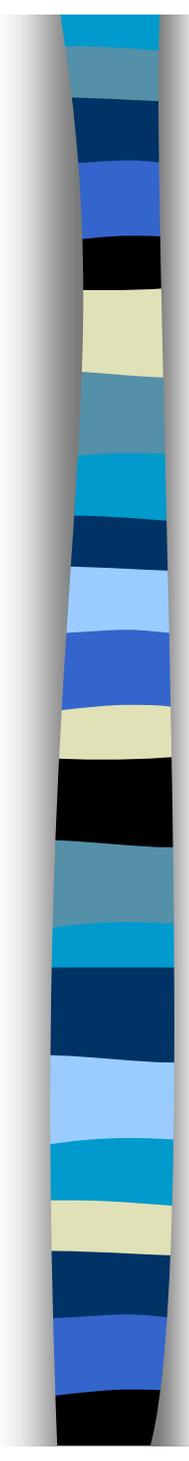
## Be a part of the 2006 study

- In a few months we will begin to research the 2006 Best Companies for Leaders. Watch for an email from Hay Group with details on how to participate.

# The Talent Show – Ten Steps to an Effective Succession Plan

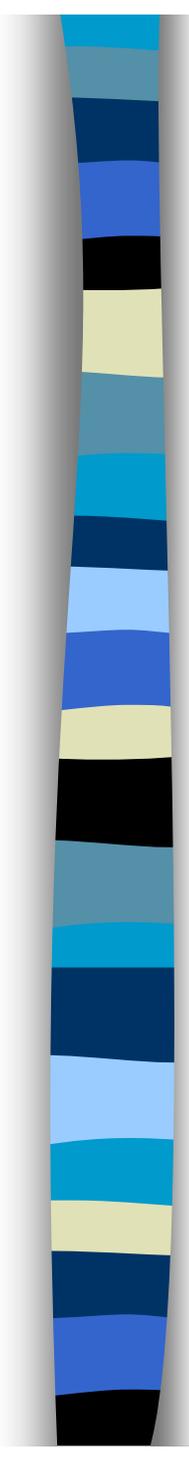


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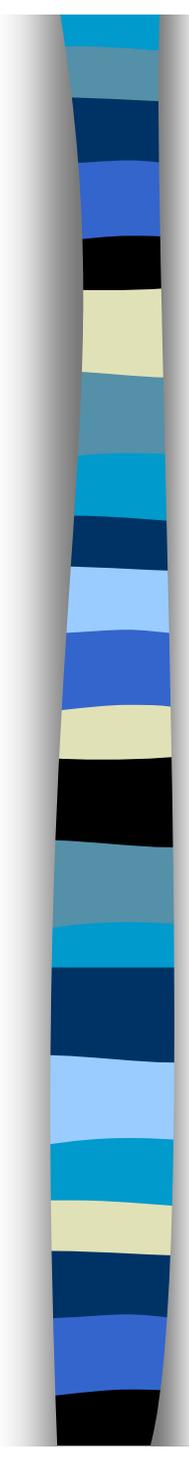
# Why Do People Leave?

- Better opportunities
- Too difficult to work here
- Never did fit in here
- Can't get ahead
- Poor management
- Can't seem to do anything right



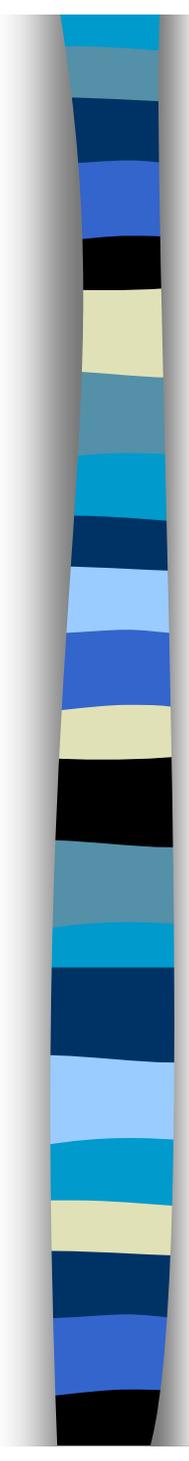
# What Can You Do?

- Budget more for recruiting
- Lower your job standards
- Change the environment
- Plan for turnover



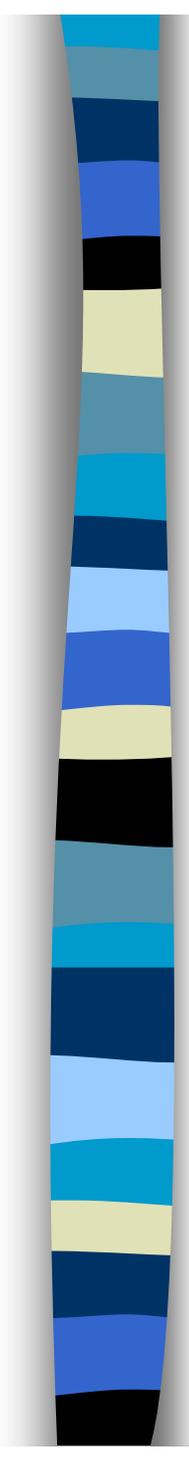
# Succession Planning Is The Answer

- Better definition: Talent Identification and Development Plan
- Often includes both replacement planning and succession planning



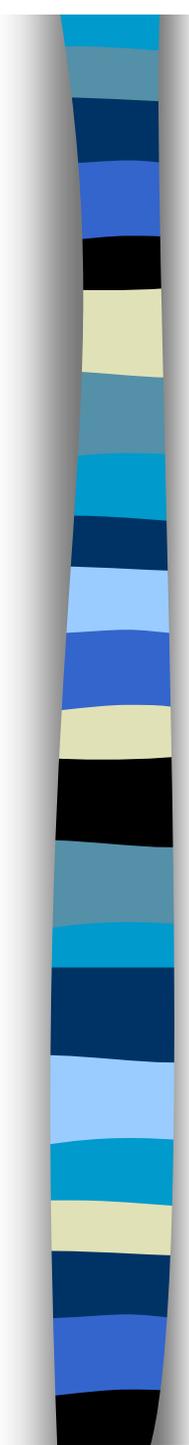
# Top Ten Reasons To Have A Plan

- More opportunities for high potentials
- A road map for employee development
- More talent ready sooner
- More support for diverse workforce
- Better morale
- Lower turnover
- Lower stress
- Job content tied to business plan
- Smoother disaster recovery
- More focus on vision and direction



# Things to Consider

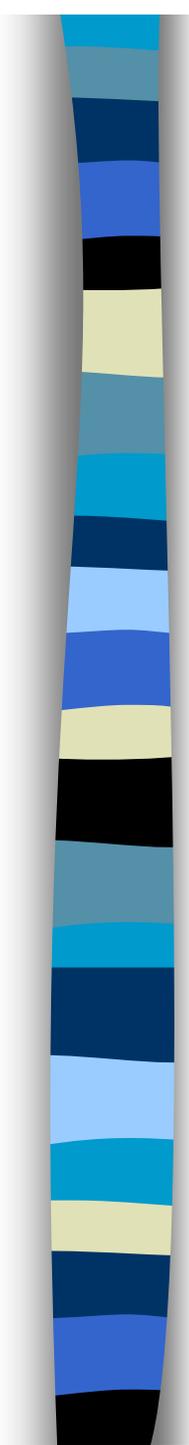
- Who will decide?
- How much time will you spend?
- How will you prepare?
- What positions will it cover?
- Who will get involved?
- Who do you tell? What do you tell them?



# Things To Plan For

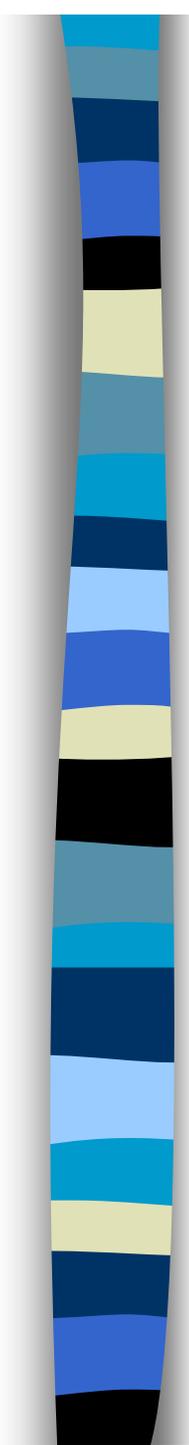
- Technology
- Globalization
- Cost containment
- Speed of market change
- Importance of knowledge capital
- Increasing rate and level of change

Rothwell. William J. Effective Succession Planning, 2nd ed. New York, AMACOM, 2001



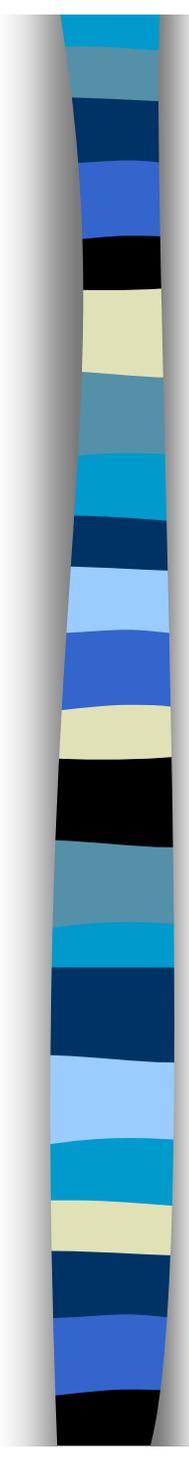
# Trends Influencing TID&D Plans

- The need for speed
- A seller's market for skills
- Reduced loyalty
- Importance of intellectual capital and knowledge management
- Key importance of values and competencies



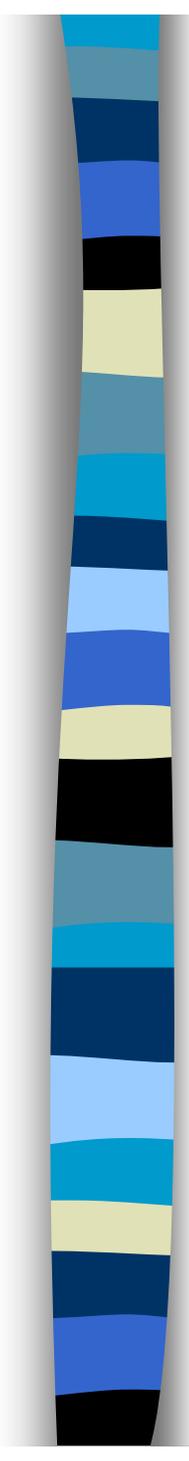
# Defining Effective Programs

- Specific
- Broad
- Supported and supportive
- Systematic
- Focus on development



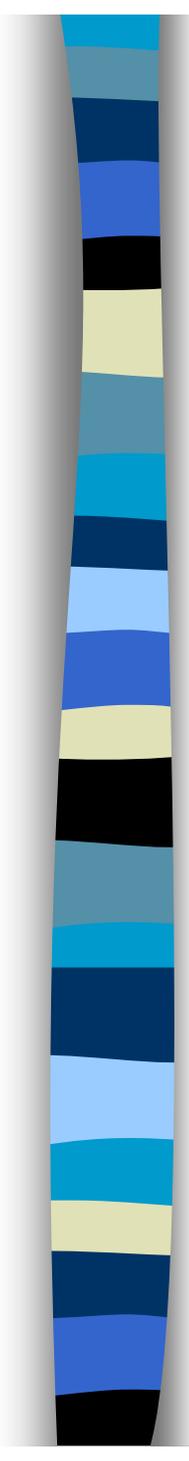
# Possible Glitches

- Politics get in the way
- Not enough support
- Focus on today
- Can't keep pace
- Just more red-tape
- Communication or lack thereof



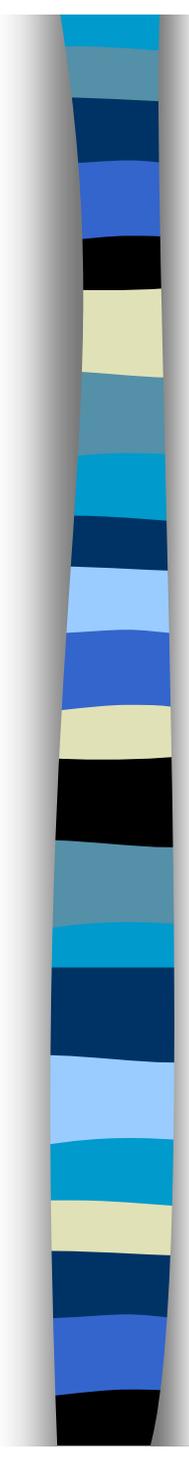
# Steps in a Program

- Get management commitment
- Review company business plan
- Establish a systematic program
- Identify covered positions
- Develop talent needs for covered positions
- Profile employees
- Match employees to needs
- Identify gaps/potentials
- Set development goals
- Implement development program
- Measure progress and make adjustments



## Step One: Get Management Commitment

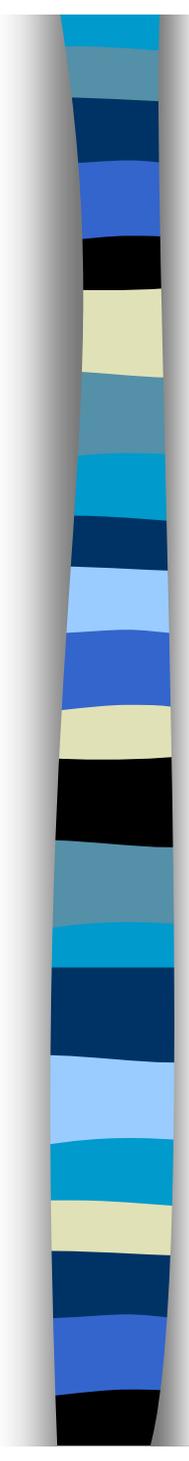
- What are current problems? (turnover, etc.)
- How do we currently address them?
- What do other companies do?
- How could we fix problems?
- Who will be involved?
- How often will we meet?
- What policies will we put in place?



## Step Two:

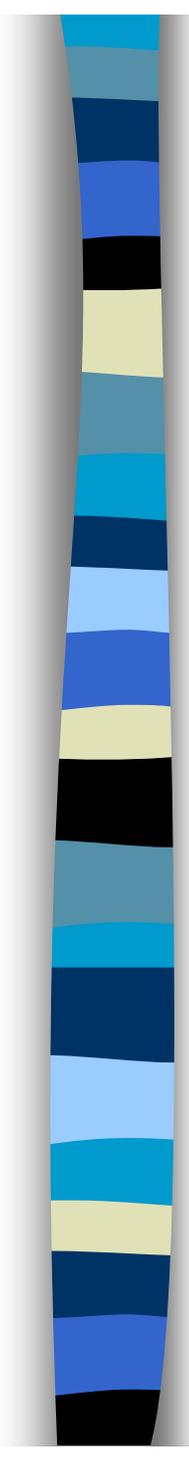
# Review Company Business Plan

- Identify company direction
- Tie talent needs to company direction
- Looks at current and future needs



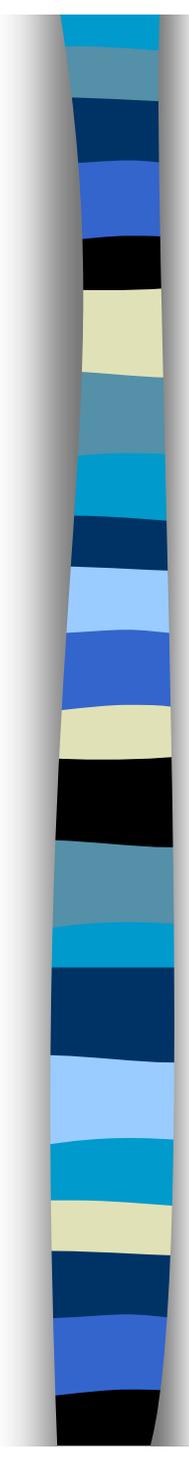
## Step Three: Establish A Systematic Program

- Clarify roles
- Prepare policies and procedures
- Set up recordkeeping system
- Identify target groups
- Conduct legal review of program
- Address communications strategies



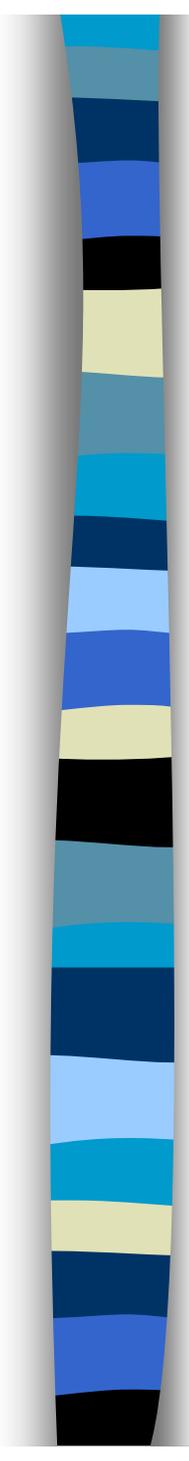
## Step Four: Identify Covered Positions

- What levels will your plan cover?
- Will there be more than one talent pool?
- How many backups will you need to account for:
  - turnover
  - poor performance
  - poor matches



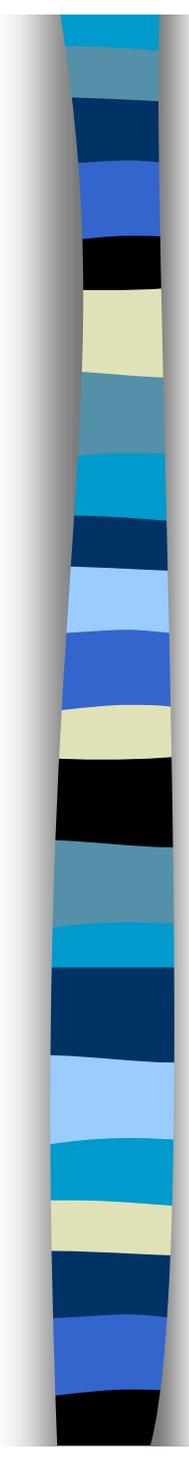
## Step Five: Develop Talent Needs

- Analyze jobs and tasks
- Review or prepare position descriptions
- Develop competency list
- Identify work values for position
- Look at current and future needs



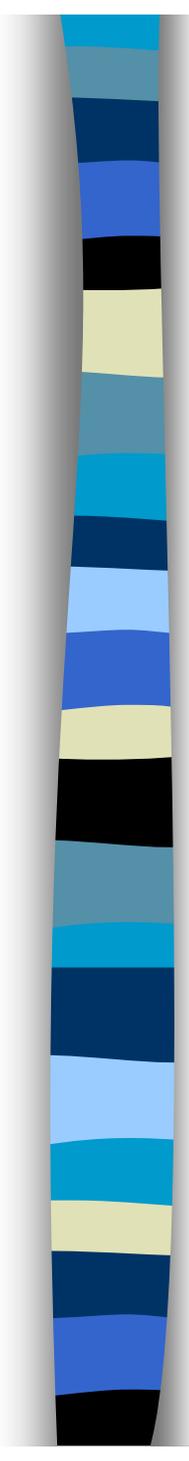
## Step Six: Profile Employees

- Look at performance record
- Consider
  - level of performance
  - breadth of expertise
  - learning agility
  - skills acquisition



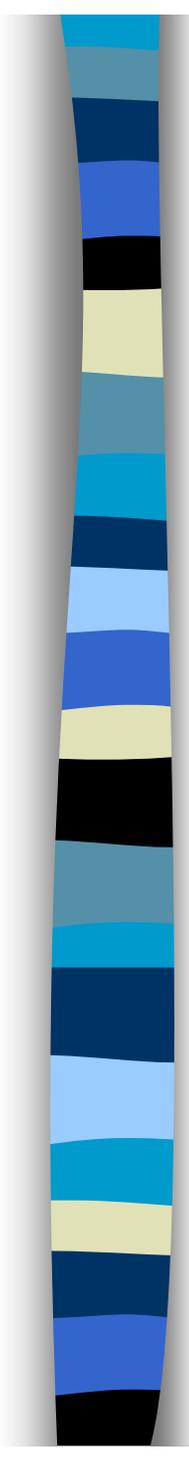
# Step Seven: Match Employees to Needs

- High-pots
- Steadies
- Iffies
- Nots



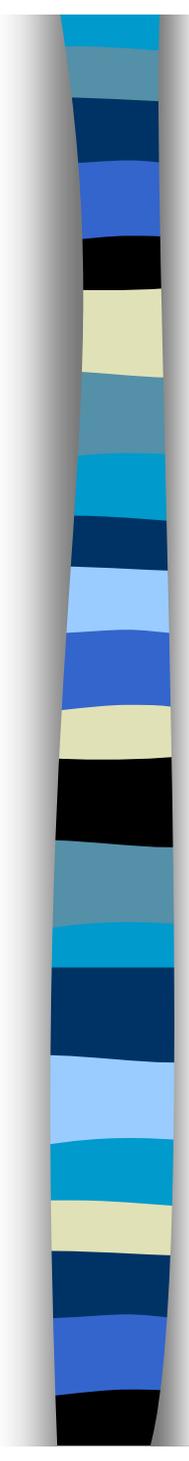
## Step Eight: Identify Gaps/Potentials

- For those ready now:
  - what will be done?
- For those not ready now:
  - Can they be developed?
  - Should they be developed?
  - How can they be developed?
  - How long would it take?
- For those never ready:
  - what will happen to them?



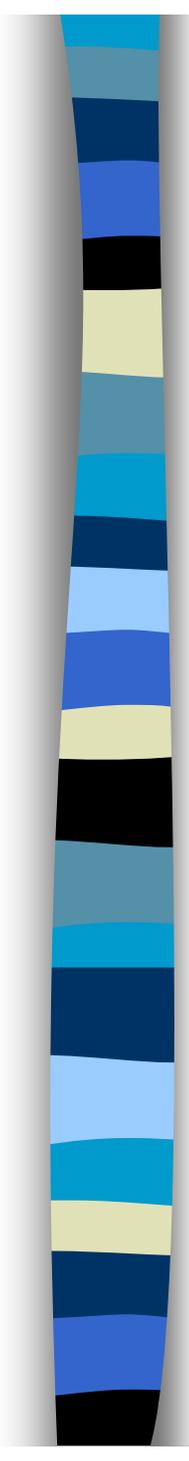
## Step Nine: Set Development Goals

- Establish likely activities
- Set timeframe
- Determine resource needs
- Set measurements
- Agree on action



## Step Ten: Implement Development Program

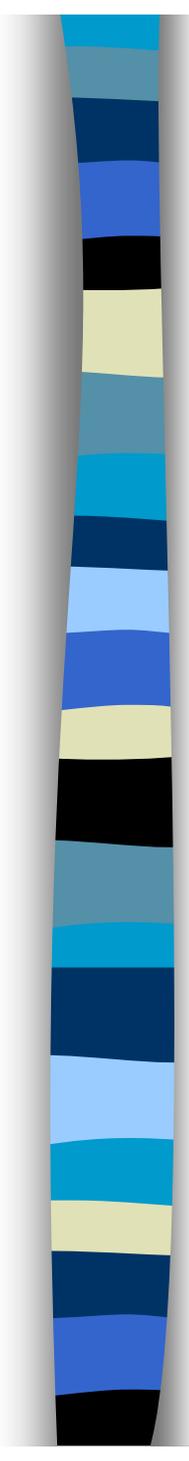
- Clarify manager's role
- Establish mentoring program
- Assign a "Career Coach"
- Considerations in agreeing on # of actions to take



## “Bonus” Step: Measure Progress and Adjust

- Set schedule for feedback
- Periodically review progress
- Mental agility
- Adjust activities as needed - add or take away based on progress

Lombardo, Michael M. and Eichinger, Robert W. The Leadership Machine.  
Minneapolis, MN, Lominger Limited, Inc., 2001



# What Else Should We Do?

- Build recruiting around organization needs
- Use job profiles in recruiting
- Review need for key jobs periodically
- Move program as organization moves!