

THE TIPPING POINT

for talent management



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In Malcolm Gladwell's book, an innovation or change can suddenly appear through small, almost incremental steps, none of which by itself is especially noteworthy. But the combination of these seemingly minor events can cause organizations to be shaken, countries to be impacted and people to break out of established behavioral patterns. What could not be accomplished in one grand wave of the baton is, in fact, being accomplished by different pieces of the puzzle coming together at just the right time.

We are in the midst of such a sea change in the field of talent management. This new approach to managing companies and people has

not yet become a clearly articulated science. There is still too much to understand and learn about the shifts occurring before us. But there is an emerging set of practices – especially as evidenced by industry-leading companies – that are moving talent management to its tipping point

The changing business context

The current economic environment sets the foundation for the reason that talent management practices have arisen in the first place. Bossidy and Charan (2004) have identified five different economic stages that have existed during the past century. Others have talked more generally

about the movement from agrarian to industrial to the knowledge economy. Pink (2005) describes the next step as moving from the knowledge age to the conceptual age, while Friedman (2005) discusses many of these same shifts in terms of 'Globalization 3.0'. While neither of these terms has resonated with wider audiences, there is no doubt that we are entering a post-knowledge worker economic stage – whatever it may be called.

The management models and systems from past stages tend to be the first ones applied in new stages. These, after all, have been what executives know, understand and have experienced. Past success becomes a blinder for ▶

future achievements, because it is natural to think that what worked once, should work again. It takes years and even decades for new models and practices to emerge.

Most of our current management practices are mired in the past and based on a set of assumptions that no longer exist. The sidebar opposite highlights many of these differences. Consider this list and assess your own company's position.

Many companies are at a spot along this continuum with one foot in the past and another in the future. Some of these factors may not be as important as others, but it is becoming increasingly clear that old practices will not be effective in a future that requires innovation, fast responses, horizontal relationships, high engagement levels and optimum performance from assets that are not "owned" by the company. Perhaps this is why in this transition period, 75 percent of change managements fail, less than 10 percent of companies do a good job of implementing their own strategy, and the vast majority of mergers and acquisitions fail to meet their objectives. New mindsets and practices are needed for new times.

Globalization

"Today, the most profound thing is that a 14 year old in Romania or Bangalore or Vietnam has all the information, all the tools, all the software easily available to apply knowledge however they want."

Perhaps the biggest contributor to the talent management tipping point is the new global marketplace. More than any single factor it has caused us to consider how fast change

can take place, and how firmly held beliefs are wavering or are no longer valid. The world is a very different place than it was even at the start of the century, barely six years ago. Consider the following examples:

- Billions of people are new entrants into the world economy and entire nations have skipped stages of economic growth to get there faster than anyone could have anticipated.
- The talented minds of foreign born nationals are returning to their home country rather than contributing to the human capital of Western Europe and the United States.
- China is revamping its educational system to focus less on rote memorization and more on creativity and innovation.
- Ireland is the world's largest exporter of software.
- The business incentives and infrastructure offered by many 'developing countries' is equal to or better than the environment in the so-called 'richer nations'.
- Three countries that excel in new scientific and technical talent are India, China and Russia.
- Talent pools, just like markets, exist all over the world and are no longer the exclusive province of Western countries.
- Microsoft's R&D center in Beijing is the best performing software research unit in the corporation.
- Outsourcing and offshoring are not just about cheaper wages and low cost services, but also about access to talent.

The companies that will win in

Talent is now a global game. It requires a **much broader horizon.**

this post-knowledge economy may not be those that were the most successful in past stages.

Integrated talent management wheel

Talent is now a global game. It requires a much broader horizon than just a specific company, city, region or country. And it requires a much broader vision even within a company.

Workforce planning looks at the supply and demand for talent over a two-year or longer period of time for key jobs within the enterprise. Key issues are retirements, planned and unplanned attrition, varying staffing options, competencies for superior performers and bench strength for key talent.

Talent acquisition is the ability of a company to attract and hire key talent. This is one of the two most pressing needs according to Accenture's 2005 survey of global executives. Key issues are compelling employment brand and value propositions, referral recruiting, and keeping a gold standard for new talent entering the organization.

Talent engagement represents the extent to which the workforce identifies with the company, is committed to it and provides discretionary effort so that it can be successful. Engagement is a key leading indicator for high performance workplaces, improved employee productivity and subsequent turnover. Keep engagement surveys relatively short and ensure that data are acted upon by employees and managers.

Talent development used to be synonymous with training, but no longer. Research shows that 70 percent of what we need to know to do our job, we learn ▶

on the job. Informal learning is more powerful than formal learning through such activities as stretch assignments, cross-functional teams, international assignments and flexible job design.

Talent deployment can be summarized as the right people are doing the right job at the right time. Top talent is assigned to the most vital projects or roles. Alignment is a key aspect of talent deployment, and it is most often achieved through performance management systems and competency databases matching project needs to employee capabilities.

The ability to lead talent is also key. Great managers are like chess players who understand that different pieces (employees) have unique strengths (Buckingham, 2004), and these managers work hard to put employees in positions where they can shine. Great managers also understand that their value to the organization is through the contributions of others, and it is their responsibility to develop, guide and enhance the performance of the people that report to them.

Talent retention is the number one issue on the minds of global executives according to the Accenture study (2005). Many CEOs doubt their company's ability to retain top talent. Too little and too much turnover can damage a business. It is interesting to observe that when managers of departing employees are asked why a person left, money is the overwhelming answer. When the employees themselves are asked, money doesn't even make the top five.

These talent functions must work together and be part of a seamless system. Being excellent in one or

two areas is a start, but the whole system must be working effectively. It does little good, for example, for a company to attract and hire great talent but then have few challenging development opportunities. Similarly, for CEOs to focus compulsively on retention misses the point that retention probably wouldn't be a problem if talent engagement, development and deployment functions were smoothly operating.

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These talent functions are too important to be left to separate departments, silos or champions. The essence of a company's ability to compete rests with the optimization and integration of these functions – it is the network, not the nodes that provide the value.

The tipping point

Talent management is ready to be tipped. First, there is the growing amount of empirical evidence that shows a clear relationship between excellent talent practices and improved shareholder returns. Among the providers of this research are McKinsey, Gallup, Collins, Bassi, Watson & Wyatt, Becker and Huselid, and the Fortune Best Places to Work surveys.

Second, there are the best practices from companies that truly believe that talent is the essence of their success. Among these companies are GE, Dell, P&G, HSBC, FedEx,

Starbucks, Microsoft and Capital One, to name just a few.

Third there is the growing realization that talent issues are board level issues. More investment analysts and company directors are demanding to know about engagement levels, segmented turnover data, and the types of developmental opportunities for top talent. CEOs are starting to spend 30 percent or more of their time on talent issues, and are being held accountable for the strength of their talent pools. For instance, all companies registered in Denmark will be required to include in their annual reports information about customers, processes and human capital. A minimum of five measures for each is required and comparisons with the previous two years must be shown. Information for investors about intellectual capital both current and future should occupy at least one-third of the report.

The confluence of both internal and external factors is causing a new science of talent management to emerge and tip. This is very different from traditional human resources concerns. While HR is more concerned with consistency, compliance and treating everyone in the same fashion, talent management recognizes that different people make different contributions to the enterprise, and that top talent is the key to competitive differentiation. The seamless and integrated functioning of the talent management wheel is what will drive companies into a leadership position in the new, post-knowledge economy.

By David C Forman, Chief Learning Officer, The Human Capital Institute



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