



# Developing Your Talent Management Strategy

(Part 1)

*White Paper*

Designed to help human resource leaders implement the foundations for talent management and to develop or refresh their organization's talent management strategy, this white paper explains the key elements of talent management, its use within the workplace, and its impact on the bottom line.

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## Why Talent Management Is Important

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Talent management has broadly existed in various forms for many years, with organizations using such processes as succession planning and competency frameworks to identify and develop their high potential performers. The term itself was coined in the late 1990s, gaining particular momentum as firms tuned into the fact that having a consistent and focused approach to managing intellectual capital within the organization would have a positive impact for the business. Since then, white papers, surveys, reports and articles on the subject abound, each with perhaps a slightly different definition of talent management and each taking their own angle, but all with the same consistent message: organizations believe that it is important to have an effective talent management strategy with clear and tangible benefits for the bottom line.

For instance, Huselid and Becker (1995) researched the HR practices of 740 companies and found that those using high performance work systems (HPWS, or integrated talent management practices) had significantly higher levels of organizational performance, measured by an increase in market value per employee. Watson Wyatt's European Human Capital Index study in 2002 suggested that there were 36 HR practices and policies that were associated with an almost 90% increase in shareholder value.

According to a recent report from Ernst & Young, companies that effectively manage talent consistently deliver higher shareholder value. The report, titled "Managing Today's Global Workforce: Elevating Talent Management to Improve Business," analyzed results from a survey of 340 senior executives conducted in 2009 to assess global talent management practices and evaluate their impact on business. It was found that companies that align talent management with business strategy deliver on average 20 percent higher return on equity than those without alignment, and those that integrated their talent management programs delivered 38 percent greater returns.

This white paper is designed to help HR leaders to put in place the foundations for talent management and to develop or refresh their organization's talent management strategy. We will examine some of the key elements of talent management, and by highlighting some practical steps and common pitfalls, provide a guide based on successful good practice and hard lessons learned.

## What Does Talent Management “Look Like” In Practice?

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The organization may already be doing it to a certain extent—maybe informally, maybe in different areas of the business; ask a manager in the business who she thinks will replace her when she moves on, and she probably already has a fairly good idea of who that will be. But to be successful and consistent—and to allow the organization to spot, develop and nurture talent across the whole business—an effective talent management strategy will be driven by the context within which the organization is operating and fully aligned with the business strategy. This strategy will set out and define what the organization needs to do for and with its people that will enable the business to achieve its goals, to thrive, grow and increase its profitability.

By drawing together and aligning the talent management activities that are taking place disparately, the organization will put itself on a path to firstly realize the bottom line benefits of talent management, and secondly to side step many of the issues associated with the implementation of a collection of interdependent processes, policies, and practices.

Talent management clearly depends on context, and for the purposes of this paper, we are going to view it as:

***“A combination of interdependent, integrated, and adaptive human resource management practices, driven by and aligned with the business strategy to achieve optimal, sustainable organizational performance.”***

The key activities of talent management are shown in Figure 1. This list is not exhaustive and will depend specifically on how you choose to define and manage talent within your organization. These processes benefit from being closely integrated and are dependent upon each other with the ‘output’ of one forming a key part of the ‘input’ of another. Each activity is outlined below:

**Performance management:** based on career management and learning & development, it links individual performance, through the setting of clear performance and development objectives, to organizational strategy and targets.

- Monitoring, reviewing, and supporting performance throughout the year to ensure that people are empowered, enabled, motivated, and committed to achieving their goals.
- Creating development plans and monitoring progress.

**Career planning:** this should be employee-driven, identifying individual career goals, motivations, preferences, and interests, linking those—where possible—to business opportunities and providing career development resources.

**Learning & development:** includes leadership development; having flexible provisions, programs, resources, and structures in place to develop high performing leaders and managers.

**Developing and reviewing competency frameworks:** providing the definition of what superior performance, or potential, looks like in your organization, or within specific job families or roles.

**Assessment for development or promotion:** this can be a means of providing a pipeline of talent for succession planning purposes. There is a strong link to career planning via workforce planning activities as it is also used (1) to identify those who have potential or the relevant skills for other roles, (2) to establish individual, group or organizational development needs, or (3) to manage the transitions between different levels in the organization.

**Workforce planning:** drives and enables individual career management based on organizational needs and business scenarios. Drives the construction of and sets the priorities for learning & development provision in line with business strategy and skills gaps.

**Succession planning:** based on workforce planning and learning and development provision.

This is top-down, position, and business-driven. Determining key positions for organizational success, growth, and survival, creating processes that will identify those with the potential to fill those positions both in the short and long-term, and developing those individuals to be effective in the roles.

**Identifying and developing high potential:** the processes by which this is achieved is usually a combination of assessment, performance management, development, and succession planning. However, when assessing people for potential, it is critical to use a distinct set of criteria or competencies, which define and set out the early indicators of future high performance.

**Strategic recruitment:** based on workforce planning, analyzing organizational capability gaps, identifying key positions, and implementing targeted recruitment programs to meet talent acquisition needs.

These all require support by appropriate systems and metrics. For instance, where do you keep your talent MI (talent management information)? How is this information used, by whom, and how it is kept up to date? Who owns this information?

## Talent Management Activities



**Figure 1** Talent Management Activities

## Talent Management Maturity

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The foundations of talent management that underpin these activities are often formed by a combination of resources, such as role profiles, HR databases, training and development provisions, internal/external coaches and mentors, executive search functions, and the data kept and maintained in a responsible manner (in line with data protection laws, for instance). Most importantly, your biggest resource (your managers and leaders) are a part of these activities and their engagement will shape its effectiveness. Let's consider some examples. How might talent management activities be implemented in three different types of organizations?

### **A large, multinational financial services organization employing 30,000 people.**

Talent management here is dominated by developing and bringing in the brightest, freshest talent. Identifying and nurturing the next tranche of high performers is the central aim, with graduate recruitment programs, targeted assessment for key roles and comprehensive training, development, and job rotation activities in order to get high potentials up to high performer status. Mobility is also important. Operating globally, this organization needs to identify its global leaders of tomorrow, those with the potential to successfully lead operations in one or any of its many overseas businesses. A balance is sought between sourcing talent locally, and expatriating leaders from headquarters.

### **A small local authority employing 350 people.**

Significant budget cuts have had a severe impact on recruitment and development activities. The organization is in a constant state of change and everyone is being asked to 'do more with less.' The HR department has held a series of discussions with the senior management team to identify which roles are mission-critical and are in the process of using 360-degree feedback and performance management information to identify potential successors to these roles. They have created an internal 'talent pool' that consists of those who constantly exceed expectations and perform at a higher than average level. The talent pool cohort meets on a regular basis with the aims of sharing learning and experience, brainstorming issues and problems, co-coaching each other, and carrying out specific organizational projects. Where possible, key positions are filled from within the talent pool.

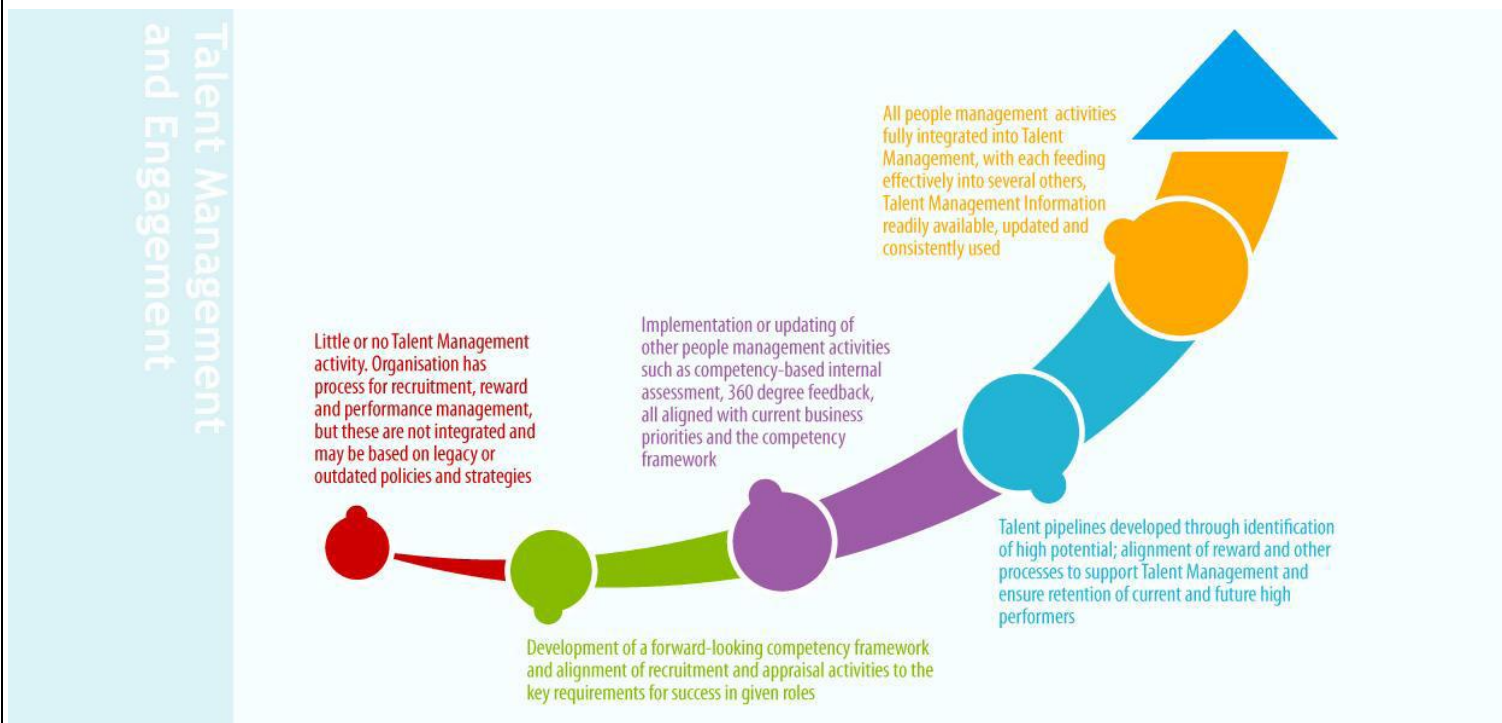
### **A small, family-owned business that buys and distributes wine.**

Turnover tends to be low, and there is little churn, particularly at senior levels. The HR department consists of one person and the organization is just starting to think about how it is going to survive the impending retirement of the CEO. They have conducted research and developed a competency framework and are aligning their recruitment to sales and administrative roles in line with this. The challenge is now to identify potential successors from within and outside the business to the top three roles. The HR partner is drawing up role profiles for all jobs, incorporating aspects of the new competency framework. They have engaged the support of a small local consultancy to help them run a series of development centers to help identify any potential future managers, and they are putting in place a series of short management skills workshops. They are also considering a job-shadowing program, where people at all levels will be accompanying the CEO on his trips. Knowledge management is an issue—the CEO is the one who has built and maintained the majority of the client relationships and who also has in-depth understanding of the wine-buying process. The HR partner is now focusing on distilling this knowledge and ensuring that others can continue to grow the company.

It is worthwhile assessing your organization in terms of its talent management maturity by asking yourself some questions:

1. How does your organization currently fill key positions?
2. How successful are your recruitment efforts?
3. Do you have a company-specific, up-to-date competency framework?
4. If you have a competency framework, how do you know it does what it needs to do?
5. Do you know who will take over key positions once they become vacant?
6. How well aligned is your performance management process to the strategic aims and plans of the organization?
7. How often do people get feedback within the organization, and what is the quality of the feedback they get?
8. How do people get promoted? Are there consistent, fair, and transparent processes in place to support movement within and upwards in the company?
9. Who are the best people in your organization?
10. What are you doing to keep these individuals?

With this information, locate your organization on the chart in Figure 2.



**Figure 2** Talent Management and Engagement

## References and Further Reading

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## White Papers from TalentGuard

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**Developing Your Talent Management Strategy (Part 2)** - Assess the role talent management will play in your organization. How do you define elite performance?

**Developing Your Talent Management Strategy (Part 3)** - How do your organization's talent management processes integrate with and benefit from a well-built competency framework?

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**Talent Management's Impact on Employee Engagement** - Explore the impact of employee engagement on the four key talent management processes: Development, Performance Management, Recruitment/Selection, and Succession/Progression.

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### About TalentGuard

At TalentGuard, our mission is to align your strategy, processes, and people in the easiest way possible. We know how to establish the systems and processes that enable you to gain valuable insights about your workforce. We help you bridge the gap between strategy and implementation, helping you attain huge returns on your biggest investment—your talent.

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