

Talent Management

Terry Meyer

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THE CONTEXT OF TALENT MANAGEMENT

As South Africa embarks on its journey into the second decade of democracy, few can argue that tremendous strides have been made on the political, economic, social and legislative fronts. Much of our legislation and policy directions are amongst the most progressive in the world.

However, many challenges remain. One of these is the shortage of professional and managerial skills and the imbalances in terms of race and gender at these levels. Another, is the need to build a robust and entrepreneurial SMME sector which will create the jobs needed to absorb the unemployed in the economy.

“Staffing is the new speed limit to growth. It is not the access to capital or technology that will constrain the growth of enterprises or the South African economy, but rather the lack of adequate skills to support organizational growth plans. The traditional channels of education and training are no longer providing skills in sufficient numbers nor are they necessarily aligned to organizational needs. Organizations must participate in the development of relevant skills if they are to survive.” (Italia Boninelli, HR Director: Netcare Group¹)

In a knowledge and service based sector, the quality of skills and talent is almost the only point of leverage that a firm has to create competitive advantage. Yet in the sectors covered by Fassett, there is a considerable shortage of skills and talent, particularly amongst Blacks and women. This has resulted in a “war for talent”, particularly in respect of HDIs.

In this sector of the economy firms need to pay as much attention to providing a great working experience for their staff as they do to providing a great service experience to their customers and clients.

This article aims to provide firms with practical processes to assist them in their war for talent. Whilst the context and degree of formality will vary according to the size of the firm, the key principles remain.

WHY TALENT MANAGEMENT?

In addition to the reasons given above, there are a number of reasons why the attraction, growth and retention of talent is important to firms.

Costs:

The costs of having to replace someone with scarce skills are considerable.

Firstly, the recruitment costs are substantial. Qualified staff, especially Blacks and Women, are not freely available in the market place. This means that agencies or search

¹ Babb S & Meyer T, 2005 *Perspectives on Learnerships*, Knowledge Resources

consultants are required to find such talent and they are expensive. Further costs are incurred during the first 3 – 6 months of employment during which new staff are seldom fully functional.

Risk:

Despite every attempt to follow effective selection practices, there is always a risk that new staff will not perform as expected. It is often said that while organisations select people on their competence and experience, they fire or lose them due to lack of cultural fit. A highly competent professional who is unable to fit the organisational culture is unlikely to be effective or remain for long.

This is particularly true in respect of HDIs entering a firm which has been historically white and or male dominated.

Client Service and Opportunity Costs:

In a service organisation service excellence relies largely on personal relationships. It demands that clients feel confident in the people providing the service and that service providers have a memory of client needs and issues.

If that relationship is broken as a result of key talent leaving the organisation, the capacity of the firm to provide sustainable service is severely compromised. This has the potential to compromise future business with the associated opportunity costs.

Lack of Capacity:

Lack of people with suitable skills and talent is a key restraint in terms of service capacity. This manifests itself at 2 levels.

Firstly, firms soon reach a state of overload. Deadlines are missed, standards and quality of work drop and a vicious cycle emerges and feeds on itself. This is a very common phenomenon with small and medium sized professional firms. They do not have the capacity to manage their growth or the peaks and valleys associated with the modern business world.

Secondly, the firm is so consumed with meeting operational deadlines that it loses it's ability to keep up to date with latest best practice, legislation or other issues demanding new skills. In this case clients will soon recognise that mistakes are made due to lack of currency of skills.

These are some of the more visible risks to firms who do not pay attention to the attraction, growth and retention of key talent.

Beyond the visible, other manifestations of the problem arise. Staff morale declines because leadership talent is absent and this energy drop is transferred to the client. Internal politics and protection of territory or unwillingness to share information and surface problems affect the functioning of the firm. All of these things affect the ability of the organisation to offer great service and take advantage of opportunities to grow.



BUILDING THE EMPLOYMENT BRAND

Building an employment brand or reputation is as important in the war for talent as building a reputation or brand for clients. It answers a fundamental question:

Why should someone want to work for you?

There are generally 3 categories of reason why people work. The importance of each depends upon the preferences of the individual and most people value elements of all in the work that they do.

Firstly people work to achieve a certain *quality of life*. This may vary from providing security for their family to travelling the world in search of adventure sport. However, for the leadership of a firm that wishes to attract and retain talent, knowing what quality of life means for each individual is important. While no-one would expect the firm to compromise it's operations, it is often possible to support the interests of individuals to the benefit of both the organisation and the staff members concerned. MTN and other leading employers of choice use the notion that the organisation will enable people to achieve their dream.

Furthermore, the fact that senior managers show an interest in peoples lives beyond the work experience sends an important message about the extent to which the firm cares about it's people.

Secondly, people work because the inherent *nature of the job* provides satisfaction. This is particularly true of professionals and knowledge workers who look for challenge and the ability to ensure that their skills are continually updated to remain current. People with talent who are restricted in the work they do get bored and find other ways to apply their talents. It is therefore essential that the nature of the work itself is designed to stimulate interest and provide challenges and opportunities to build new, current skills.

For the leaders of firms, this means that jobs, tasks and projects need to be crafted to enable people to remain stimulated and continue to build new skills in their profession. The days when young graduates or those doing articles could be given the routine work which no-one else wanted to do have disappeared. The design and nature of work is now a key strategy to retain professional staff.

This is of particular importance in the retention of the so called generation X.

The third reason people work is about a *commitment to a cause*. Increasingly, particularly amongst younger people, people feel that they want to make a difference and that the organisation they are to be associated with contributes to the achievement of certain values. These may be environmental, social or political values, but people aspire to leaving the world a better place. This helps provide true meaning to people. Companies that can demonstrate that they have a cause beyond the enrichment of the owners are likely to instil pride and commitment from it's employees.



This is particularly true amongst many Black professionals, many of whom have a deep social conscience.

The implications of these categories of work aspiration is that firms which recognise and respond through their actions and use this as a brand value are more likely to build significant and sustainable relationships with their talent.

None of the above are the preserve of large firms. There is no reason that a medium sized professional firm cannot respond to individual quality of life issues, design challenging and interesting work and demonstrate support for important social values. There is almost no cost involved. What is involved is a commitment to caring for people as the basis for the value they provide to clients.

Do you have the right talent for your future strategy?

The purpose of talent management is to ensure that a firm has the right talent with the right skills at the right time. However, what may have been the right skills in the past may not be all that is required in the future. Many things change presenting new challenges and requiring new skills.

A good example is that of a financial services firm. In the past it was quite adequate to employ brokers who would sell a limited range of financial products to clients. As regulations tightened and greater knowledge was required a different type of employee was required with new skills involving effective financial needs analysis and the provision of a holistic financial strategy for clients. The current distrust of the industry and increasing sophistication of the investing public will probably require even more qualified financial advisors with increasingly sophisticated solutions to offer clients.

Another example would be the accounting firm that plans to expand the business, either through organic growth or through a merger or acquisition or BEE partnership. Expansion requires a much more sophisticated leadership capability and represents a major crisis period in the life cycle of any organisation. Leaders who were very good technical professionals may not have the leadership and management skills to take the organisation through the changes. Furthermore, the “old boys club” networks of the past may not be that relevant in the future.

If professional firms are to respond to the changes in their market and business environment, they will need to identify the type of staff and the skills they require in the future and these may be very different to those required in the past.

The person who was able to solve yesterdays problem is not necessarily the right person to solve tomorrow's problem.

Before recruiting or developing existing talent, it is essential that a firm identify the future strategy of the business and the environment in which it will be required to compete.

Having identified the future business environment and business strategy of the firm, it is necessary for management to identify what the success criteria will be for people in the future.

IDENTIFYING SUCCESS CRITERIA



Having identified the future strategy and challenges facing the organisation, the next step is to identify the competencies and other success criteria which the firm will require to achieve its strategy.

These success criteria will form the basis for selecting staff into the organisation and for appointing people internally.

Of major importance are the competencies required to meet the future challenges of the organisation. It is essential that these are identified and form the basis of appointments, personal career development and are closely related to the key result areas required by people in different roles in the organisation.

In many firms, especially medium and small organisations, the identification of competencies is restricted to technical or professional competencies such as accounting knowledge, tax management etc.

However, there are many other roles that staff play in an organisation which require essential competencies if they are to be effective.

One of the most obvious is that of *business development and client relations*. At a senior level partners in the firm or other executives are responsible for building new business and harvesting existing clients. Hence, the ability to network, identify and realise potential future business opportunities while maintaining sound client relations are essential skills required for this role. Simply appointing technically sound accountants (or other professionals) to senior positions without considering the need for these skills frequently results in people who are technically sound but are unable to meet the requirements of the new role i.e. generate new business.

At the more junior levels, the ability to ensure that the client has a great service experience is almost as important as providing the professional service based on technical or professional competence.

The ability to build current and future client relations is one of the key skills that distinguishes great firms from those that are simply adequate.

Another competency set that is essential in any organisation is that of *leadership*.

Leadership involves a number of competencies.

It requires the ability to set the *direction* of the firm or a team and *communicate* that effectively to ensure that all staff are committed to the achievement of the organisational goals.

It involves creating a *culture*, at both organisation and team level, in which achievement is recognised and in which individuals perform to the best of their ability.

The *coaching and development* of staff and the provision of continual *feedback* are key leadership skills.



Finally, it involves the ability to deal effectively with *people issues* and problems as they arise.

A third competency category is that of *self management or personal effectiveness*. In an economy where time is the scarcest resource and individuals are under constant pressure to deliver results it is an essential competency. It concerns the ability to identify priorities under pressure, manage time effectively and achieve personal and organisational goals. It is also concerned with personal ethics and the values that influence behaviour as well as effective communication and persuasiveness.

In order to make appointments it is essential that the competencies required for successful fulfilment of a specific role be identified and defined. For example, roles at different levels in the organisation will have different definitions based on what is required of the role. Communication at a junior level may be defined as:

The ability to communicate audit results and the issues associated with it verbally and in written form to the client

At a more senior level it may be defined as:

The ability to develop an effective communication strategy for the firm or the ability to persuasively communicate complex issues to important internal and external stakeholders of the business.

Competencies, defined in terms of different levels required by different roles, can be considered essential criteria for success in the various roles or positions in the organisation. It is not only the technical or professional competencies that are indicators of future success. In defining talent, a variety of competencies falling into various competency categories need to be considered.

Other success criteria include the extent to which an individual's *values* are aligned with those of the firm. This is often a very challenging situation for leaders in an organisation. If, for example, treating others with respect and teamwork is a key value of the organisation, how does the firm treat the maverick who brings in considerable business and who is technically outstanding but is unable and unwilling to work with colleagues and other important people. This mismatch between values of the organisation and the behaviour of individuals can present some difficult leadership dilemmas. As a general rule, if the organisation is serious about the importance of its values, the alignment of the individuals values and those of the organisation constitute a key success criteria for the appointment of people. Integrity is another value that requires clear definition and enforcement if it is to be credible.

The success criteria therefore, provide a basis for the selection and appointment of people, their development and their performance management – and they extend well beyond pure technical ability.

Assessment of Potential:

Having identified the success criteria the next question is:

How do we assess whether a person meets these criteria or has the potential to do so in future?



A decision on whether a person has the potential to fill a future role in the organisation is a managerial judgement. Like any managerial judgement, the confidence level is dependent largely on the amount of information available to those making the judgement.

The purpose of assessment is to provide those tasked with decision making with as much useful information as possible. This information can be obtained from a variety of sources.

Previous performance and track record. This provides information on how the person has performed in the past and is often obtained from the performance appraisal document. This information is very important but has limitations.

Firstly, success in a previous role is not necessarily a predictor of success in a future role. A competent accountant may not be a competent manager in an accounting firm.

Secondly, the person doing the assessment may be subjective in their assessment and other agendas may influence perceptions.

Qualifications: Qualifications provide important information about a person's ability to solve problems as well as their technical knowledge. It is particularly important in the case of new graduates and others who do not have an experience and performance record.

However, the obvious limitation is the fact that the person may not be able to apply their knowledge in the work situation

Objective Assessment Instruments. There are a number of assessment instruments that can be used which minimise the influence of environmental factors in determining a person's performance and potential.

Psychometric tests provide useful information on the attributes of the individual. One such important attribute would be the ability of a person to solve complex problems, often considered the intellectual horsepower of the individual. The higher the level of a person in an organisation, the greater the need to deal with complexity and uncertainty.

Emotional intelligence is recognised as being an essential success criteria in the modern economy as it forms the basis of a person's ability to manage interpersonal relations. This can be assessed using specific instruments or from personality profiles which also provide information on role preferences.

Other attributes would include the ability to learn and the ability to execute tasks.

Knowledge of these attributes provides useful information on the suitability of people for specific roles now and in the future.

It goes without saying that such tests must be culturally fair, valid and reliable and must be administered and interpreted by a qualified psychologist. Furthermore, it is essential that feedback is provided to the person to enable them to gain personal insight and better manage their career.



Assessment centres provide people with simulations of typical problems which they will encounter in their roles and trained observers assess the way in which they deal with the problems. Such problems may include an electronic in - basket, a difficult interpersonal or leadership problem or a problem requiring in depth analysis.

The advantage of assessment centres is that they measure applied competence rather than generic attributes and they enable people to demonstrate competence outside of the workplace where other factors may influence their ability to perform. They are however, resource intensive and expensive.

360 degree feedback is increasingly being used by organisations to measure performance in respect of behavioural competence. The advantage of this process is that it measures applied competence in the work context. It provides feedback in respect of specific behaviours from the person's boss, peers, subordinates and customers. Hence it is far less reliant on the views of a single individual and provides much deeper insights into performance and competence.

The limitation is that it measures performance based on current roles and behavioural opportunities and can be expensive and complex to implement. It would, for example, be difficult for a small firm to apply the process.

From the information gathered from the appropriate processes described above, the manager is in a better position to evaluate potential in terms of the success criteria for a particular position.

The information from these forms of assessment should extend well beyond deciding on appointments. It needs to be used to assist individuals to map out their careers and to determine development and learning requirements.

Succession:

A succession plan assists an organisation to ensure that it has the necessary talent to fill key positions timeously. The succession plan will identify possible successors for key positions in the short, medium and long term. Where gaps exist the organisation can take action to mitigate the risk. In very fluid organisations there is no guarantee of future appointments but succession facilitates the right people taking advantage of opportunities as they arise.

In larger organisations succession is about creating talent pools where people identified with high potential are ensured of accelerated development and effective retention strategies are applied. The same principle is involved in smaller organisations but with less formality.

Career Development:

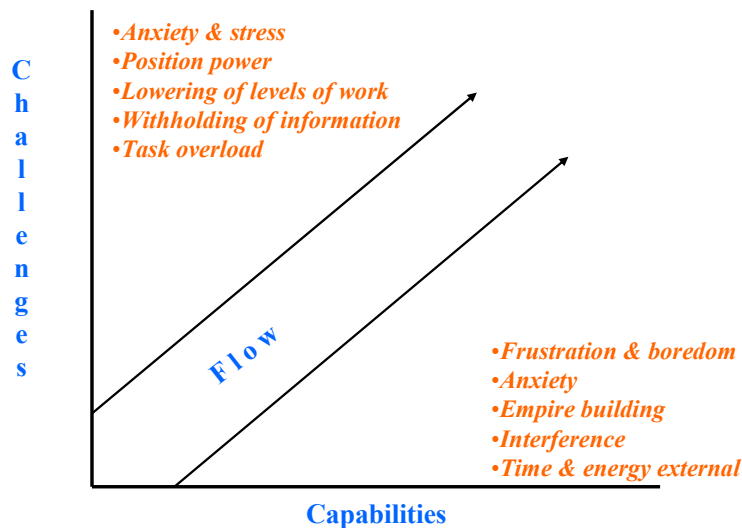
Career development is the other side of the succession coin. It is about ensuring that people's aspirations and the needs of the organisation are matched.

Critical to career development is the need to match the challenges of the job with the capability of the individual.

This can be illustrated as follows:



Career Flow



Where the job challenges exceed the ability of the individual, the dysfunctional behaviour described above is likely to occur. Where the person's capabilities exceed the demands of the job similar dysfunctional behaviour may occur.

No matter how sophisticated the talent system nothing can replace the process of face to face discussions with people. It is essential that time is set aside to discuss career aspirations and possible opportunities and learning requirements on a regular basis. One of the main complaints about many organisations is that managers do not make the time to talk to people, especially in respect of their careers and associated issues.

GROWING TALENT

It is not sufficient to find the right talent and then not invest in the growth of those people.

Growing talent involves far more than sending people on courses or paying for their studies.

Because there are so many competing demands for people's time it is useful to make the learning plan concrete and commit it to writing in the same way as a performance contract.

Learning plans are informed by 2 processes. The performance management system will provide information on the skills acquisition necessary to better perform in a current role, while the talent system will provide learning to prepare people for other, future roles. Both are equally important.

Learning occurs through a number of processes, including the following:

- ✚ *Formal training courses*, which generally provide specific skills
- ✚ *Self study* through a business school or elsewhere provides much deeper growth and develops multiple skills
- ✚ *Coaching and mentoring* is increasingly recognised as an essential developmental tool. It provides individuals with individual feedback and assistance in improving their insights, performance and competence in areas specifically identified. In principle all managers should provide coaching for their staff but in some cases external coaching has advantages.
- ✚ *Experience*. It is accepted that most learning occurs on the job. It is therefore essential that talented people are exposed to different types of experiences in the work that they do. Participation in different projects is an ideal way of providing broad yet challenging experience. The key in this case is that people get feedback to build their insights and competence.

It is also important that as a matter of principle people take considerable responsibility for their own learning through reading, internet searches and networking at a professional level.

One problem in many organisations is that the organisations culture does not facilitate learning and innovation. People are not encouraged to try new approaches to problems and they are scared to question established processes. In this kind of organisation, people attend stimulating courses, such as an MBA, but find they are unable to apply what they have learnt in the work that they do. They then move to organisations where that opportunity does exist.

EVALUATING THE TALENT MANAGEMENT PROCESS

Where talent management is instituted as a formal process in an organisation there are a number of measures that can be applied to measure the effectiveness of the process.

The most obvious is the measure of turnover in those positions or amongst those people which are considered critical to the functioning of the organisation. If this has dropped it can be assumed that the process is having an effect. This should also become a management metric.



An important lead indicator would be the perceptions of key staff. This could be measured through a culture survey or employee satisfaction survey. It is important in doing so to stratify the results in terms of perceptions of different race groups, gender and age groups.

Finally, 360 degree feedback for managers is useful in identifying specific leadership issues.

In terms of external measures and benchmarks, participation in surveys such as “Best Company to Work For” conducted by Delloitte provides a powerful benchmark relative to other companies.

CONCLUSION

The attraction, growth and retention of talent is a key success factor for modern service based, knowledge organisations. To be known as an employer of choice is considered a key organisational goal with direct benefits.

Whether a small accounting firm or a large consulting organisation there are certain processes that need to be applied for effective talent management. However, research has shown consistently that the most important factor that influences a person’s decision to stay or leave an organisation is the relationship with their boss. Other key factors are opportunities for personal growth and career development, the culture of the organisation in terms of facilitating innovation and the nature of the work itself.

South African organisations, large or small, have an obligation to the country and to themselves to grow the professional skills required for economic growth and competitive advantage. The role of the SDF as a catalyst for growth is an essential one. It requires SDFs to move beyond the rigidities of the NQF and conformance to skills development legislation. It requires that they facilitate dynamic and meaningful processes to enable their organisations to attract, grow and retain top talent to provide clients with a great service experience.