

# **Talent Management Review**

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# 1. INTRODUCTION

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*"The thing that wakes me up in the middle of the night is not the economy or competitors; it is whether we have the leadership capability". (David Whitwan, former CEO of Whirlpool Corporation).*

This statement reflects the challenges we face in the new knowledge economy. Keeping good people has become a major challenge for most businesses, big or small. In the 21<sup>st</sup> century we are defining talent as the new wealth.

Most organisations have become poachers of talent, instead of developers of talent. If talent is identified, it is lured with anything and everything in order to gain the competitive advantage. According to a recent Harvard Business Review article (January, 2000) organisations often revert back to the proverbial "golden handcuffs" strategy in order to prevent the often devastating impact of losing a talented employee.

Global worker shortages and talented people have heightened corporate awareness of the need for innovative talent retention strategies and the ever-increasing competition for talent. The "war for talent" has become the mantra of modern Human Resources (HR) professionals, and it will stay a reality in the corporate landscape for many years to come.

According to the Gordon Institute of Business Science (GIBS) the reality is that most companies are playing "Talent Management catch-up" instead of managing talent as a strategic imperative (mba.co.za, 2007).

So what is Talent Management exactly? It can be defined as a dynamic, ongoing process of systematically identifying, assessing and developing talent for future critical roles to ensure continuity and optimal organisational performance (J Heidke, 2006).

## 2. TALENT MANAGEMENT – AN OVERVIEW

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A recent study by the Business Performance Management Forum (BPM) in 2007 revealed the following:

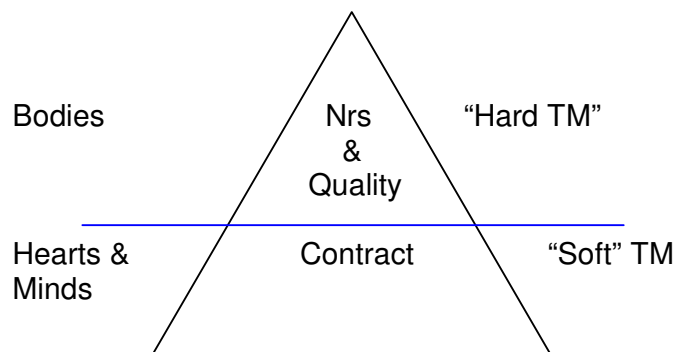
- Good Talent Management relies heavily on the ability to measure success.
- The global talent landscape is becoming more challenging and more demanding – 77.5% of respondents in the BPM survey reported they take longer than ever to find good employees.
- Employer brand is becoming increasingly important as a talent attraction factor.
- Talent should be a broad definition – it should be inclusive and not exclusive. The "B-players" in the organisation should be part of Talent Management and not only the "A-players".

Talent Management should be a 2-way relationship between the company and the employee:



If this is not true, it is not Talent Management and people merely become “bodies” filling jobs. Talent Management should therefore have the following focus areas (Prof T Veldsman):

- Numbers and quality
- Hearts and minds (the psycho-social contract)



In the knowledge-based economy companies must realise that it is the people who unlock value and create wealth, not assets and machines. As J Nel of SABMiller once said: “Business strategies are realised through people. Higher calibre people create sustained competitive advantage”.

According to Professor T Veldsman, people are the only value unlockers and wealth creators in the organisation.

### 3. CHALLENGES OF TALENT MANAGEMENT AND SKILLS DEVELOPMENT

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A common mistake organisations make is to neglect their “B-players”. Organisations got caught up in the much quoted and widely publicised “war for talent”. After all, hunting for stars is much more fun, they are impressive to have on the payroll, and they make CEO’s look good.

However, the preoccupation with the stars (or “A-players”) often result in the underestimation of the capable, steady performers in the business.

They lack the lustre and brilliance of the stars, but often are the best bet for long-term sustainability. The adequate and capable employees are often the ones who save the organisation from itself.

According to a Harvard Business Review article (HBR, June 2003) the star employees often focus more on themselves and their own needs, and not on what is good for the company. Solid and capable “B-players” on the other hand are steady, they stay longer and make huge contributions to the success of a business.

It is therefore crucial to expand the focus of Talent Management and to ensure that the majority of the organisation’s workforce is included in the management of talent, not just the top 10% of the organisation.

Another challenge organisations face is the fine line between developing and optimising talent and potential, and the risk of making staff more employable. The more we invest in people, the more attractive they become to competitors and the market.

Organisations are raising their expectations of what would be an acceptable threshold of entry – this impacts on all workers. They have to raise their own levels of competitiveness and skill-sets to compete in the knowledge-based economy. In South Africa this reality is particularly challenging as a vast portion of our nation needs to not only be competitive, but to also eradicate disadvantages and educational legacies of the past. This poses pressure on institutions responsible for building capacity and skills.

Brown, P and Hesketh, A (2004) makes the point that recruitment cannot become the substitute of poor people management (including skills development). Neither is recruitment a substitute or compensation for investment in training and development. The challenge is to find the dormant and obvious talents and build it to the mutual benefit of both the organisation and the individual.

Another challenge organisations face is the absence of a clear plan and strategy to develop skills and capacity at all levels for all staff. Staff have no road map for getting the skills they need, companies have not identified the need for future success and skills development often becomes an operational necessity, as opposed to a long-term strategic business imperative.

A key challenge that needs to be addressed when managing talent is to provide staff with adequate opportunities to practice new skills and competencies. We often invest fortunes to develop talented people (at all levels) and then they go back to their old role with the old routine with no opportunity (and no time) to implement new skills and knowledge.

## 4. TRENDS IMPACTING ON TALENT STRATEGIES

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- One third of the US federal working population will be retired by 2008
- The Australian healthcare system experienced over 31,000 vacancies in 2006
- 60% of future jobs will require training that only 20% of the current workforce possess
- 85% of current jobs require post-high school education (compared to 61% in the 1990's)
- The modern workforce is increasingly disengaging (resulting in a growing unhappiness and subsequent leaving the employers at a huge cost)

70% of companies surveyed by the Business Performance Management Forum (BPM) in 2007 reported that they do not know if they are effective in measuring staff performance and productivity effectively. It is worse with SMME's – there it is as high as 80%. And as mentioned earlier – measurement underpins any good Talent Management system.

In the Talent Shortage Survey in SA in 2007 with 800 participants, the following jobs were ranked as most difficult to fill:

SA Rank	Job	Global Rank	Job	USA Rank	Job
1.	Engineers	1.	Sales Representatives	1.	Sales Representatives
2.	Trades	2.	Trades	2.	Teachers
3.	Technicians	3.	Technicians	3.	Mechanics
4.	Accounting and Financial workers	4.	Engineers	4.	Technicians
5.	Management/ Executives	5.	Accounting and Financial Workers	5.	Management
6.	Teachers	6.	Labourers	6.	Freight Truck Drivers
		9.	Management/ Executives	8.	Accountants

The BPM survey also revealed the following competencies as most valuable to organisations (competencies being viewed as a key driver of Talent Management):

Competency	Respondents who rated it as valuable
1. Management Leadership	62%
2. Technical knowledge	45%
3. People Skills	43%
4. Organisational and project management skills	41%
5. Operational ability	41%
6. Market and industry knowledge	36%
7. Sales effectiveness	30%
8. Intelligence	16%
9. Creativity	7%

## 5. TALENT MANAGEMENT BENEFITS – A BUSINESS ISSUE

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Given the challenges organisations are facing to be sustainable and competitive in an ever-changing economic landscape, Talent Management offers very real and tangible benefits.

It stands to reason that when 75% of companies experience leadership shortages, 50% of baby boomers are retiring and external appointments are not as effective that a solution must be found. Benefits of effective Talent Management include (Heidke, JD, 2006 and Veldsman, T):

- Reduction of recruitment costs
- Effective knowledge management and transfer
- Realisation of business strategy
- Delivery of cutting edge services and products
- Creating a competitive advantage

Other benefits can include:

- Reducing risks (remember one employee in hand is worth 200 in resumes!)
- Improved client retention. Clients value relationships and talented people often are critical to valuable client relationships. Companies must remember that it is easier to keep old customers than to find new ones, as well as the fact that they will not have loyal customers without loyal employees
- Maintaining adequate capacity

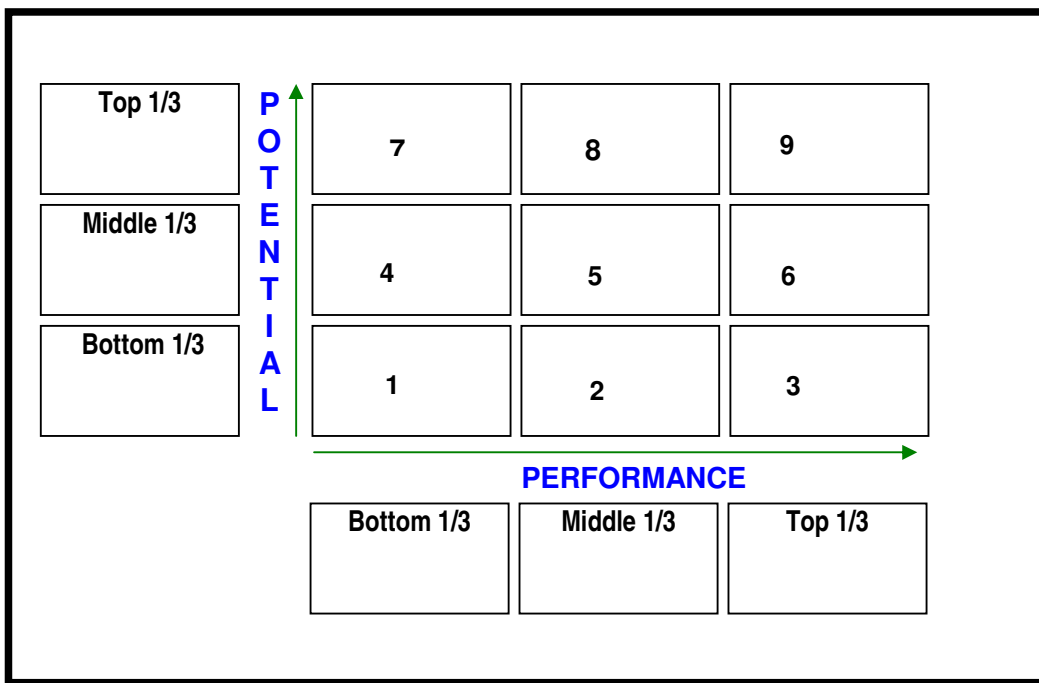
## 6. TALENT MANAGEMENT IN PRACTICE - THE 9-BOX MATRIX MODEL

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To retain and manage talent in the organisation is often a major challenge. Executives and business owners often grapple with the question of what talent is, how to identify it and then what to do with it.

Performance in the role is a reliable predictor of talent and effective delivery cannot be achieved without performance. Potential is another key indication of talent and can be defined as the ability to perform effectively at one or more levels above the current level of complexity.

The 9-box matrix model combines actual performance and predicted potential into a simple, but powerful tool to manage talent.



Each category requires different interventions and approaches, and takes into account both current performance and value-add and potential for future contributions.

For example – 1 (poor performer with little potential) will require very different interventions as compared to 9 (strong performance and great potential).

The grid is a relatively easy way to assess employees on two critical dimensions. It facilitates dialogue between senior managers and key support functions (i.e. HR). Multiple perspectives on an individual usually results in an accurate assessment.

The 9-box approach facilitates a shared ownership for talent retention and the management of the talent pool.

## 7. IDENTIFYING TALENT

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“In the absence of insight targeted development is impossible”.

To manage talent effectively requires the identification of talent, both visible and latent. Key elements of identifying and assessing talent include:

- Performance data
- Talent review meetings
- Track record reviews and evaluation
- Qualifications
- Psychometric assessments
- Development/assessment centres
- Multi-source feedback reports

The assessment of talent also begs the question of “what is talent” and “who is targeted”? As mentioned earlier, talent should be inclusively defined and should cater for most employees. If talent is narrowly defined and if it is only targeting the top 10% of workers, the organisation will quickly run out of sources and available pools of talented people. At an even more serious level, the very valuable “average Joe’s” will feel unrecognised, demotivated and will leave – to great detriment to the sustainability of the company!

Thus, identifying talent should be a broad process and ideally should adopt the philosophy that everyone is talented, albeit in different areas and at different levels.

“A wise man once said: “What is a weed? It is merely a plant whose virtues is still to be discovered”.

Potential is a key aspect of talent identification. The challenge with potential is that it is not an absolute measure, but a combination of:

- Demonstrated capability (current and past performance)
- Implied or future capability (prediction of future complexity)
- Motivation and self-development (willingness to learn, to look for challenges, etc)
- Career development and growth

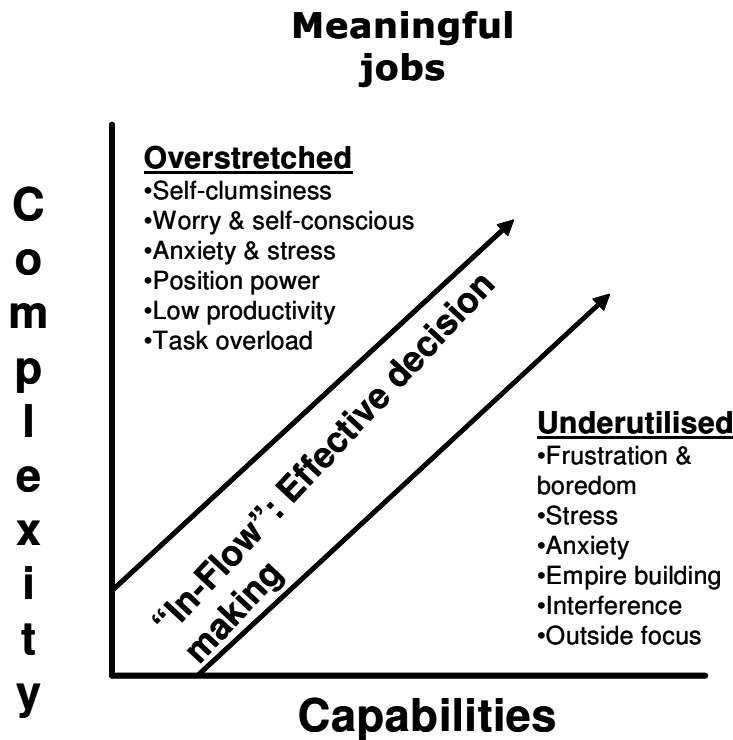
The challenge to identify talent is also Human Resources’ wake-up call. Companies often realise too late that the best employees have been right under their noses all along. HR should move from a reactionary mode (to minimise staff turnover) to focusing on influencing who leaves the organisation. The HR function cannot continue to just implement talent decisions, but to strategically influence them. HR must move away from measuring its internal performance (i.e. cost per hire, Return on Investment (ROI) on training, etc.) and start to facilitate and manage key questions such as:

- Where does strategy require talent to give us a competitive advantage?
- What talent gaps need closing to keep our competitive advantage
- Where would a change in availability or quality of talent have the greatest impact?

## 8. SUCCESS FACTORS FOR A TALENT MANAGEMENT SYSTEM

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- **A Planned Approach:** Retain people as individuals, not as a group. Retention programmes should be highly targeted and should target individuals.
- **Marker-driven:** Companies must accept that the market and not themselves will dictate and ultimately determine the movement of staff. CEO's must realise that they cannot shield talented people from that attractions and opportunities out there.
- **Invest:** Invest in people.
- **Timing of Retention:** Retention should start on the day the person is employed. Encourage participation in what matters and make them feel valuable from day one.
- **Good Job Design:** Jobs should be meaningful and ideally should allow employees to find meaning and the freedom to explore their particular talents and interests within the sphere of their role. According to Elliot Jaques (2006) it is important to ensure people's current capability is matched with the job's inherent complexity.
- **Compensation:** Steer clear from the "golden handcuffs". It can and will be easily matched by the competition. In the process you create anomalies, resentment and low morale. Rather consider alternatives such as deferred bonuses, incentives, hot-skills premiums, etc.
- **Social Ties:** A Harvard Business Review (January 2000) suggests that loyalty to colleagues is a strong retention factor. Although loyalty to organisations may be shrinking, loyalty to colleagues often result in people staying on longer.



- A drawback is that any restructuring and staff reduction initiatives inevitably are more traumatic than usual.
- **Communication:** Corporates that entered into regular dialogue with their staff and openly processed issues, concerns and differences significantly reduced their talent retention challenges.
- **Reward Talent Management:** It is proved that is important recognise and reward managers who retain talent.

## 9. TALENT RETENTION STRATEGIES – REMUNERATION AND PAY

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Peter Capelli made a valid point in a HBR article (January 2000) that we are in open competition for talented people. Head-hunters and recruiters are constantly going through companies hoping to find the best and then pass them on to the competition.

To manage this, compensation remains one of the most popular mechanisms to combat talent loss. This unfortunately often opens up another war – the pay war! Golden handcuffs are easily and willingly matched by other companies. A “golden handcuff” is easily transformed to a “golden hello” (Capelli, 2000).

Retention incentives often become more of a contributor to wage-inflation than to talent retention. However, money is important to talented people and creative remuneration strategies can help with retaining talent.

Options to consider are:

- Signing bonuses paid in stages.
- Stock options with a maturity clause.
- Market-related incentives and pay.

Incentives (both long and short-term incentives) appeal to staff and have strong retention value. The challenge is to have meaningful incentives that translate into real recognition for staff. Long term incentives do not however cater for retention of skills and have little impact on short-term performance.

Care should be given to match real value-add of talent and the value of reward and pay that is invested in them. Often companies spend fortunes on the perceived talented staff, only to lose them before they could maximise their investment. Research suggests that talented people tend to not stay long with organisations and often starts with a bang, but does not sustain their performance. According to a Harvard Business Review (May, 2004) research suggests the following about the “stars”:

- Their performance often decreases over time.
- If their performance decline, it affects the group or team performance in a significant way.
- Stars’ stellar performance in one organisation is often not repeated when they leave to join another company.
- Stars tend not to stay for long at any given organisation – they suffer from the “young and the restless” syndrome.

## **10. TALENT MANAGEMENT AND SUCCESSION PLANNING**

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In the 13th century it took the College of Cardinals almost three years to anoint a successor to Pope Clement IV. The church officials eventually started to limit the food and drinks provided to the Cardinals, eventually only giving them water and bread!

Hopefully executives and EXCO’s of the modern organisation do not have to be starved into creating a sense of urgency for strategic succession planning. Traditionally this was very much a HR role, but is and should be changed fast. Succession planning should be a top-down as well as a bottom-up process that requires leadership from the CEO.

Succession planning is changing along with most functions, processes and systems in modern organisations:

Then	Now
Secretive	Open and transparent
HR driven and owned	Management driven and owned
Reactive	Pro-active
Subjective	Objective
Applies to top 5-15%	Applies to key positions at all levels

## 11. LEADERSHIP AND TALENT - CHALLENGES

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To manage talent poses very specific rewards, but also very specific challenges. R Goffee and G Jones refer to managing “clever people. As a leader of “clever people” managers need to firstly create an environment where talent can thrive and grow.

Attraction is only half the battle. To manage highly creative and often unique individuals are posing unique challenges:

- Talent don't want to be led, they want to be inspired
- Talent knows their value and expect you to know it as well
- Talent I very mobile
- Talent want organisational protection and recognition
- Talent need freedom to experiment and to fail
- They need leaders to be on their level intellectually and in all other spheres
- Leading talent is all about emotions (Tom Peters, 2005).

According to Peters (2005), leadership and Talent Management shifted significantly in the knowledge economy:

Then	Now
Know your place	Do your thing
Wait for approval	Act
Follow the rules	Make the rules
Get along to go along	Get up and go
Constrained by seniority (your lack thereof)	Amused by seniority (the pretensions thereof)
No power	No constraints
Cubicle slave	Free agent

Leaders of talent love talent and know where to find it. More importantly, they revel in the talent of others.

“I start with the premise that the function of leadership is to produce more leaders, not more followers”.

Ralph Nader

Leaders of talent should take note of the younger generations entering their organisations. The new workforce are the first generation that are more comfortable, more knowledgeable and more literate than their parents (and bosses) about the

innovation that is central to our modern society – the internet. And the internet has triggered the first industrial revolution in history to be led by the young. (Peters, T, 2005).

Attitudes of talented people towards organisational issues:

- They are scornful of hierarchies
- Do not value fancy job titles and promotions
- They want to stay “close” to the “real work”
- They do not want leadership –
- They want instant access to the decision makers
- They have a low boredom threshold
- They want to feel special
- They won't thank you

“If you want them to turn right, tell them to turn left”

Rob Goffee, 2007

## 12. TALENT AND DIVERSITY

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Companies need to realise that they need to have talented people representing the clients and customers they serve.

More importantly, organisations need to realise that diversity of talent is as important as diversity of culture, gender, race, religion, etc. Talent should reflect all levels, competencies and client preferences. Brown & Hesketh (2004) say that the profile of the winner's podium must reflect an equal distribution of opportunities, growth and inclusivity.

From a diversity perspective, the “war for talent” should rather be defined in terms of the wealth of talent (i.e. finding talent in unexpected and untapped pools). Diversity in Talent Management requires a broad and inclusive definition.

Linking talent to diversity also assist in looking at the same challenges with different angles – often resulting in innovative and winning solutions, contributing to the all-important competitive edge.

## 13. TALENT AND SMME's

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Talent Management in SMMEs is obviously very different compared to Talent Management in larger organisations. They face some constraints that are not found in the larger organisations (i.e. lack of specialized expertise).

The good news however is that SMME's also have powerful advantages such as dealing with talent on a one-on-one, case-by-case basis.

SMMEs face the same Talent Management challenges that larger organisations face. The SMMEs also need to attract, select, motivate, deploy, develop and retain talent. SMMEs face some particular constraints that are more visible and more intense in the smaller organisations. These constraints include:

- **Lack of Specialized Expertise**

Large organisations often have specialised functions and staff who fulfil them. They also have specialists in Talent Management, performance management, etc. In smaller firms that luxury is not affordable and often not cost-effective.

- **Fewer Economies of Scale**

Large organisations have the funds to invest in expensive and sophisticated Talent Management tools (i.e. assessments and software). The initial investment costs are offset by the size of the workforce.

In smaller organisations this is often too expensive and the numbers do not justify such an investment.

- **Hiring Right**

In larger organisations the impact of one or two poor appointments does not affect the business as much as in a small organisation where one proverbial “bad apple” can easily influence culture, motivation and morale to the detriment of the whole organisation.

The reality is that SMMEs have fewer resources for Talent Management, but on the other hand face greater risks and challenges.

The good news is that SMME’s also have specific advantages regarding Talent Management:

- **Employee Knowledge and Relationships**

In an SMME employees are well known and the owner/manager can deal with them individually and according to their special needs and talents.

- **Flat Structures and Effective Communication**

In SMMEs structures tend to be very flat and the communication is often much more effective than in larger organisations. This can facilitate the creation of a talent-focused culture and understanding.

- **Sense of Belonging**

In smaller organisations each employee’s contribution is very visible and felt by all. This often creates a strong sense of belonging and commitment that assist the SMME with retention challenges that larger organisations struggle with.

## 14. CONCLUSION

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Talent Management is part of corporate South Africa and indeed the world. It is inseparable from the knowledge-based economy and will increasingly affect how we do and lead business.

Authors and experts are increasingly making a case for broadening the definition of talent and not only focusing on the elite top 5-15% percent of the organisation. There are compelling arguments for redefining the “war for talent” to rather be the wealth of talent. It makes sense in emerging economies to look at talent broadly and inclusively, as well as to maximise potential at all levels.

Talent Management requires effort, reward and poses challenges, but if ignored it will erode sustainability and performance. It is not an HR initiative, but a business imperative.

Retention of talented people at all levels in the organisation is key to success and more and more it is acknowledged that brand, leadership, recognition and good people practices are key to retention.

In South Africa Talent Management and even more importantly, the development of talent is crucial to our growth as an emerging economy. It implies a huge responsibility for HR, SDF’s, leadership, government and SMME’s to build the nation’s capacity and skills.

Talent inspires and motivates. Tom Peters hit the nail on the head when he said that we are in an era where people see themselves as “Me Inc.”, or “Me, Myself and I & Co”. We want to be seen as players, contributors and not merely as bodies in a grey building somewhere.

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