

CHAPTER ONE

Talent Management

The Key to Organizational Success

Talent management is one of the most important strategic objectives of organizations today. From every viewpoint, talent is essential and is often regarded as a key strategy in maintaining a competitive advantage. Talent management is needed for success, efficiency, and consistency. A systems approach is advocated, beginning with attracting talent and ending with removing talent. This approach brings a host of challenges:

1. A successful talent management process identifies critical jobs in the organization and finds ways to that ensure current and backup incumbents are top performers. Sometimes, people who are in critical jobs are not the best performers, and the best performers are not in critical jobs.
2. A successful talent management system is a clear process for identifying and developing high potentials. Many organizations carefully review and manage a small segment of their talent as high potentials. Other companies do not clearly segment out this group or provide preferential development or treatment. Either

way, identifying top performers and fostering their development provides higher chances for performance and retention.

3. A successful talent management process plans for organizational transitions. Some companies have extensive succession plans for several layers of management; others only create plans for the top leaders in the company. To avoid disruption in business performance, it is critical to plan for departures of talent or, in the words of McDonald's Corporation, backups in case someone "gets hit by the bun truck."
4. A successful talent management system addresses movement of talent and the holes this can leave in the organization. Talent management occurs when movement of talent happens regularly and has minimal impact on the business. If an employee's skills can be better utilized in another function, talent should be moved to those functions. Unfortunately, managers become territorial and fear shortages in their departments. It is necessary to plan for these gaps and create a culture in which talent belongs to the organization, not to a specific group. When managed appropriately, there will be no serious gaps or shortages because the talent management system is so robust that it can fill the openings quite quickly.
5. A successful talent management system creates talent pools. Formal rotation programs have flourished to simulate the concept of a centralized pool of talent. These programs enable a person, new graduate, or existing employee to work for different managers in different functions during their rotation assignments. Finance, for example, is a function that uses this model quite frequently with their new MBA graduates. A program is created that exposes the employee to financial accounting, financing strategy, financial analysis, and, sometimes, tax/treasury. At the end of the formal program, the employee can select a function or decide which manager or group they want to work with. This provides the employee with exposure to different functions and develops their skills.
6. A successful talent management system must report on the outcomes. Providing data to management about the number of employees with international experience, the number of leaders

with marketing education, or the percentage of employees with advanced degrees can provide critical information for business planning. Boards have an increasing interest in understanding the talent within a company as well as strategies for acquisition, development, and retention. Additionally, the success of talent management programs must be reported to senior executives.

WHY TALENT IS CRITICAL TO SUCCESS

Talent is considered the most critical source of success in an organization and no executive will argue this point. How did it get this way? How critical is it now? How critical will it be in the future? There are several major reasons why talent is so important and will be even more critical in the future. Each is briefly described here.

Stock Market Mystery

When considering the value and importance of talent, executives need look no further than the stock market. Investors place a tremendous value on human capital in organizations. For example, consider Google, Inc.—a global technology leader focused on improving the ways people connect with information. Based in Mountain View, California, Google is a Fortune 500 company traded on the NASDAQ stock market. Google is a very profitable company with revenues of \$16.6 billion in 2007, and a net income of \$4.2 billion (Annual Report, 2008).

Google reported total assets on its balance sheet of \$25 billion and include not only the current assets of cash, marketable securities, accounts receivable, and inventories, but property, plants, equipment, and even goodwill. However, the market value is much higher. At mid-year the market value was \$105 billion. In essence, the tangible assets represent only 23.8 percent of the market value. Investors see something in Google that has a value much greater than the assets listed on the balance sheet. This “hidden value,” as it is sometimes called, is the intangible assets, which now represent major portions of the value of organizations, particularly those in knowledge industries, such as Google. It is helpful to understand what comprises the intangible assets; human capital is certainly a big part of it.

The Best Idea Will Fail Without Proper Talent and Execution

Talent management is fundamentally about ensuring that the right people are positioned in the right places and utilized to the fullest potential for optimal success of the organization. Top business leaders clearly understand their talent pools. They work hard to identify the key players who have critical relationships with customers and suppliers, and then work even harder to nurture and keep those key resources.

A number of business leaders have asserted that coming up with the best talent for their companies is the most important task they have to perform. Some, like former GE Chairman Jack Welch and Honeywell International's Larry Bossidy, spent a significant amount of time searching for the best talent within their own employee pools, hoping to build leadership that way. Both Welch and Bossidy have frequently said that all the great strategies in the world will have little effect on a company unless the right people are chosen to execute those strategies. Steve Miller, the most successful turnaround CEO, clearly connects talent and execution. This master of execution rescued Federal-Modul, Waste Management, Reliance Group, Aetna, Bethlehem Steel, and Delphi, among others. One of his first tasks as a new CEO was to find the critical talent who could exercise the plans to save the company (Miller, 2008).

Leaders understand this and put a premium on keeping the talent they need for growth. They do what is necessary to ensure that key people are secure and do not leave because of low morale, thus preventing a detection domino effect.

Human Capital Is the Last Major Source of Competitive Advantage

Today's organizations have access to the key success factors. Financial resources are available to almost any organization with a viable business model. Financial capital froze even during economic downturns. One company no longer has an advantage over another to access the financial capital needed to run a business. Access to technology is equal; a company can readily adapt technology to a given situation or business model. It is difficult to have a technology advantage in an information technology society.

Businesses also have access to customers—even if there is a dominant player in the market. Newspapers are laced with stories of small organizations taking on larger ones and succeeding. Having entry and access to a customer database is not necessarily a competitive advantage. What makes the difference, clearly, is the human capital—the talent—of an organization. With relatively equal access to all the other resources, it is logical to conclude that the human resources are where a strategic advantage can be developed.

The Great Places to Work

Probably nothing about the importance of talent is more visible than the list of organizations selected as the 100 Best Companies to Work For. This list is published each year in *Fortune* magazine and has become the bellwether for focusing on the importance of talent. Although other publications have spinoffs and other countries have similar lists in local publications, this is the premier list that U.S. organizations strive to make. The most important factor in selecting companies for this list is what the employees themselves have to say about their workplace. For a typical list, at least 350 randomly selected employees from each candidate company fill out an employee-produced survey created by The Great Place to Work Institute, San Francisco. The annual list presents each company in rank, along with:

- Total employment, detailed by the percent of minorities and women;
- Annual job growth (percent);
- Number of jobs created in the past year;
- Number of applicants;
- Voluntary turnover rate;
- Number of hours of training per year;
- Average annual pay, detailed by professional and hourly; and
- Revenues.

These lists are alive with tales of how the employers focus on building a great place to work and building employee respect, dignity, and capability. These firms are successful in the market. A typical

These twenty-one companies have appeared on our list every year since its 1998 inception:

A.G. Edwards	Publix Super Markets
Cisco Systems	Recreational Equipment
FedEx	SAS Institute
First Horizon National	Synovus
Four Seasons Hotels	TD Industries
Goldman Sachs	Timberland
J.M. Smucker	Valassis
Marriott International	W.L. Gore
MBNA	Wegmans Food Markets
Microsoft	Whole Food Markets
Nordstrom	

Exhibit 1.1. Hall of Fame Great Places to Work

list includes well-known and successful companies such as American Express, Cisco Systems, FedEx, Genentech, Eli Lilly, Marriott International, General Mills, Merck, Microsoft, Procter & Gamble, Qualcomm, and others. Inclusion in the list has become so sought after by organizations that they change many of their practices and philosophies in an attempt to make this list. Exhibit 1.1 shows the companies that have made the list every year since its inception in 1998.

This list underscores the importance of talent and how much emphasis companies place on it. It shows how diversity, job growth, turnover, and learning make a significant difference in the organization. For the most part, these organizations are investing heavily—far exceeding those on any other list. Investment, in their mind, translates into payoff.

Most Admired and Successful Companies

Two other important lists are *Fortune's* America's Most Admired Companies and The World's Most Admired Companies. These lists are unique because the ranking is determined by peer groups. To develop the list, the Hay Group starts with the ten largest companies (by revenue) in sixty-four industries, including foreign firms with U.S. operations. Then they ask 15,000 executives, directors, and security analysts to rate the companies in their own industries with eight criteria, using a scale of 1 to 10. The respondents select the ten companies they admire most in any industry. From a talent

perspective, it is interesting that three of the eight key attributes focused directly on talent: employee talent, quality of management, and innovation. The other five are indirectly related. The key point is that investors and business people admire companies who are placing important emphasis on the human capital aspects of their business.

Perhaps the most publicized list is the grouping of superstars. As there are superstars in almost every area in life, so there are superstar organizations—those perceived as being extraordinarily successful, based on major accomplishments. We all know them by reputation, success, and contribution. The literature is laced with showplace examples of these extraordinary companies including SAS, Qualcomm, SAP, GE, Southwest Airlines, Honda, and USAA, to name a few. One common denominator for the superstar organization is recognizing the people factor—the talent. Executives at superstar organizations always give recognition to the people who have created the outstanding performance.

Most executives not only declare that their people are the most important assets, but make statements like “We could not have done it without the people.” Some will argue that the success of an organization can only be defined in terms of employees. Success cannot be generated in any way without successful people, not only at the top, but at all levels. People *are* the most important asset and no organization has been successful without them.

The Cost of Competent Talent

Successful talent acquisition and management is expensive. The total investment in talent is the total HR department expenses plus salaries and benefits of all other employees. All of the direct employee-related costs are included in the human capital measure. In essence, this includes every function that exists in the chain of talent acquisition and management. Attracting, selecting, developing, motivating, compensating, and managing talent are accounted for in this total cost. Because the traditional HR department expenses do not include salaries of other functions, this measure has the effect of showing the total cost. It should be reported as a percent of operating costs, or revenue, or on a per-employee basis to show realistic comparisons with other organizations.

Executives in some organizations realize the magnitude of these expenses and have a desire to manage them efficiently. Although

the costs do not include the costs for office spaces and support expenses, they are still very significant, often two to three times the annual pay. In many—if not most—industries, the cost of talent is the largest operating expense category. Recruiting fully competent employees avoids some of the cost of initial training, development, and on-the-job learning, although the salary and benefits may be higher than those of less-skilled employees. Because talent is so expensive, it must be managed carefully and systematically.

The Cost of Talent Departures

When talent leaves, the costs are high. Executives see the direct cost of recruiting, selection, and initial training, but may not understand other impacts. The total cost of turnover is not calculated routinely in organizations. When the cost is estimated, it is often underestimated. Also, estimations of the total cost are not communicated throughout the organization, leaving the management team unaware of the potential costs. If turnover is a problem, the costs are always significant. In some cases, the actual impact can be devastating and can result in the organization's demise.

The total cost of turnover involves both the direct and indirect costs. There are many different costs, some of which are never known with certainty but can be estimated. When the total costs are calculated, it is often expressed as a percent of annual pay for a particular job group, and these costs are significant.

There is healthy turnover in any organization; people who retire, work in non-profit organizations, or go back to school. The area of most concern in managing talent is when top performers or critical employees depart their jobs. The challenge is to manage this turnover successfully and on-board new employees quickly. In an ideal scenario, talent sources are available so there are no gaps in organizational performance or product road maps.

Summary

It may be helpful to summarize this information, which clearly details the critical role of talent in the organization. Exhibit 1.2 shows ten reasons why talent is critical to success, most of which are briefly discussed in this section. The remainder of this chapter describes

1. We cannot be successful without talent.
2. Talent adds to the market value.
3. Talent executes the ideas.
4. Talent is the last source of competitive advantage.
5. Great workplaces attract and retain talent.
6. The most successful and admired companies have great talent.
7. The cost of competent talent is high.
8. The cost of turnover of talent is high.
9. The competitive environment has created a retention crisis.
10. Retention can be managed.

Exhibit 1.2. Ten Reasons Why Talent Is Critical to Success

how organizations provide the focus, attention, and care needed to for this strategic issue.

A SYSTEM FOR TALENT MANAGEMENT

The most effective way to tackle talent management is to use a systems approach, ensuring that the different elements and pieces of the process are working in concert to acquire integrate talent into the system. Several issues support the need for this system.

Disconnected Efforts

The traditional way to deal with this issue is to have the responsibility assigned to various groups that traditionally cut across functional lines. Recruiting, learning and development, reward systems, and associate relations are the traditional functional groups. Several problems may surface with this approach. First, in this traditional style, talent management is in a reactive mode—reacting to critical issues, problems, and talent shortages. There are few early signs to signal an impending problem. Also, because individuals involved are not tightly integrated, with open communication, inefficiencies abound in the processes, often creating duplications and delays throughout the system. Consequently, this is a very expensive approach to the problem; one that fails to generate the success needed, leaving voids, omissions, and delays. The results can be disastrous for an

organization in need of talent, attempting to grow. Most of all, the traditional approach creates confusion—not only in the roles and responsibilities, but designating who is in charge. This confusion has been minimized by a systems approach.

A SYSTEMS APPROACH

Figure 1.1 shows the traditional model for a talent management process where the focus is on acquiring and retaining talent. Today, more issues must be addressed and integrated as suggested in the systems approach to talent management presented in Figure 1.2. It includes the major issues of planning, acquiring, developing, managing, and retaining employees. These are often subdivided into responsibility areas, as outlined in the figure. Traditionally, many of these have been under different sections. This is a system that must work together in close coordination and integration, ideally under the direction of a central person whose key responsibility is talent management—perhaps a chief talent officer (CTO). When in place, the benefits are tremendous from the client’s perspective. First, it presents consistent attention throughout the process. If these



Figure 1.1. Traditional Talent Management Process

Source: Deloitte Research, 2004

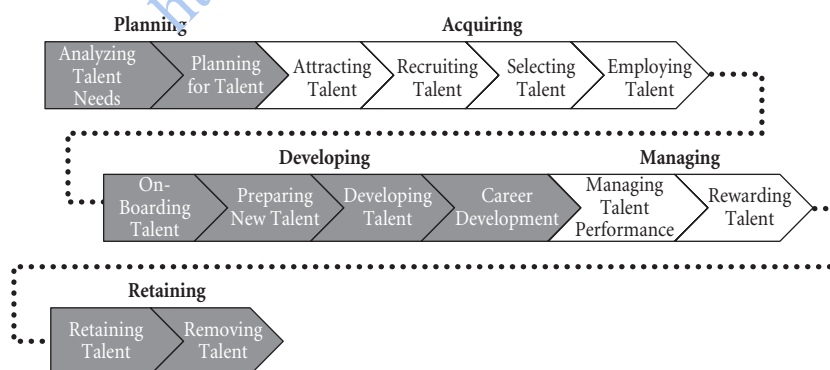


Figure 1.2. Talent Management System

issues are integrated, it creates a smooth transition. Problems can be spotted quickly and adjustments made. Second, talent acquisition can be more effective, ensuring that adequate talent is recruited and integrated in the system as well as the appropriate quality and quantities are secured. Finally, there is a value add as costs are reduced when the process is more efficient and duplications are avoided. The systems approach is not only rationale and logical, but it is the economic way to address this important issue.

Defining the Critical Talent

Before describing the mechanics of talent management, it is helpful to define the critical talent in the organization. The critical talent are the employees who drive a major part of the company's business performance and generate above-average value for customers and shareholders. Typically, the critical talent possesses highly developed skills and deep knowledge. They don't just "do their jobs," but go above and beyond to contribute to the organization's success. They are in roles where they can make a difference—a big difference. Surprisingly, these are not always the high-tech or highest paid employees, but often the backbone employees who are seldom mentioned in the annual report. Take FedEx, for example, the world's largest overnight package delivery firm. One report suggested that the couriers might be more critical to the operation than the pilots who fly the packages through the night. The couriers have direct contact with the customers and must make continual decisions that impact efficiency and the effectiveness of the supply chain such as how to reconfigure a route and how long to wait for a customer's packages (Deloitte Research, 2004).

Critical talent can vary considerably by industry and organization. At Bristol Meyers Squibb they may include the scientists and clinicians who discover and develop pharmaceuticals that fuel the company's growth. At British Petroleum they may include the geologists and petroleum engineers who find and extract oil. At Boeing, it may be the machinists who perform precision operations to develop parts for airplanes using Six Sigma standards. At Wal-Mart it may be the inventory managers who ensure that the right goods are in the right store at the right time. Recruiting wars often erupt when there's a shortage of critical talent, leading to much inefficiency, cost, and disruptions along the talent management system.

Competencies: A Starting Point

In recent years, there has been a tremendous focus on the use of competencies, with some experts indicating that attracting talent can only be achieved if it is focused on identifying competencies and using them throughout the process. Competency models are fundamental to human capital management systems. Too many organizations use different languages when describing recruiting standards, training requirements, and promotional criteria. The problem is exacerbated when these organizations operate in different cultures and countries. By utilizing an agreed-upon competency model, the organization can communicate via a common language that describes performance from one unit to the next (Berger & Berger, 2004).

As shown in Figure 1.3, competencies drive the entire talent management system. Competencies relate planning, recruiting, and selecting talent at the beginning of the process. Preparing and developing talent focuses on the same competencies; managing, rewarding, and motivating employees also focus on these competencies. The competencies for a particular job—even similar jobs—can vary. A competency is a reliably measurable, relatively enduring characteristic (or combination thereof) of a person, community, or organization that causes or statistically predicts a criterion or level of performance. Competency characteristics are knowledge, behavioral skills,

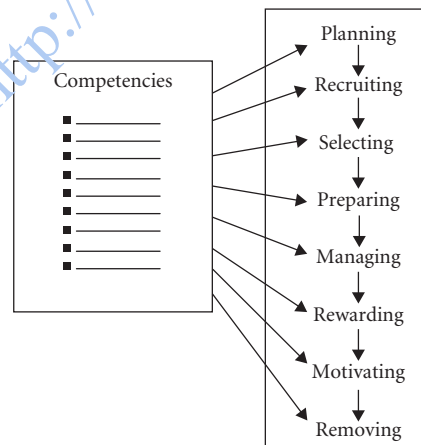


Figure 1.3. Competencies and the Talent Management System

competency processing (IQ), personality trait, values, motives, and occasionally other perceptual capabilities (Spencer, 2004).

An example of competencies is shown in Table 1.1. While these can be typical competencies for organizations, they are not necessarily for *every* organization. They have to be specific in terms of what is important to an organization and the skills, knowledge, and value systems needed. Competencies can be evaluated through interviews and previous work experiences. Once on the job, competencies are often observable and translate directly into success or lack of success.

The key challenge is to determine, to the extent possible, the competencies needed for talent in specific divisions, groups, functions, or even job categories and use them to drive the talent management system.

The CTO's Role

Traditionally, the responsibility for talent management has not been assigned to a single executive.. Today, this has changed and in many organizations, a chief talent officer CTO is now responsible for all of the system, including recruiting, performance management, and managing layoffs. The chief talent officer ensures that the proper talent is selected, properly developed, and managed. The CTO has the opportunity to change the mindset of the organization and can have a key impact on lowering recruiting costs and offering employees new growth and opportunities that may not have been visible before.

PLANNING

Planning is perhaps the area that has been most neglected in many talent management systems. The objective of planning is to have an orderly process for acquiring the appropriate types of employees to meet the needs of the organization, given the constraints of market forces and the available labor supply. Three areas are often addressed, sometimes by separate individuals or units within the talent management system.

Analyzing Talent Needs

Several factors will determine the need for talent, as defined earlier. First, the growth of the organization often translates into the largest

Competency	Competency Definition
Action Orientation	Targets and achieves results, overcomes obstacles, accepts responsibility, establishes standards and responsibilities, creates a results-oriented environment, and follows through on actions.
Communication	Communicates well both verbally and in writing. Effectively conveys and shares information and ideas with others. Listens carefully and understands various viewpoints. Presents ideas clearly and concisely and understands relevant detail in presented information.
Creativity/Innovation	Generates novel ideas and develops or improves existing and new systems that challenge the status quo, takes risks, and encourages innovation.
Critical Judgment	Possesses the ability to define issues and focus on achieving workable solutions. Consistently does the right thing by performing with reliability.
Customer Orientation	Listens to customers, builds customer confidence, increases customer satisfaction, ensures commitments are met, sets appropriate customer expectations, and responds to customer needs.
Interpersonal Skill	Effectively and productively engages with others and establishes trust, credibility, and confidence with others.
Leadership	Motivates, empowers, inspires, collaborates with, and encourages others. Develops a culture where employees feel ownership in what they do and continually improve the business. Builds consensus when appropriate. Focuses team members on common goals.
Teamwork	Knows when and how to attract, develop, reward, and utilize teams to optimize results. Acts to build trust, inspire enthusiasm, encourage others, and help resolve conflicts and develop consensus in creating high-performance teams.
Technical/ Functional Expertise	Demonstrates strong technical/functional proficiencies and knowledge in areas of expertise. Shows knowledge of company business and proficiency in the strategic and financial processes, including P&L planning processes and their implications for the company.

Table 1.1. Sample Competencies

Source: Berger and Berger, 2004

component of talent requirements. The CTO must be aware of the organization's strategy, both short- and long-term. Needs are sometimes driven by shifts in products and services, acquisitions, mergers, and routine growth through expansion. Whatever the reasons, this action translates into a specific number of individuals in different job categories.

Second, replacement needs create openings as employees leave the organization. If the turnover is excessive, replacement needs become significant. If there is low turnover, replacement needs are minimal. In the context of managing retention, only the avoidable turnover is considered. However, when replacements are needed, all types of turnover must be considered, including those individuals who retire, leave due to disability, or transfer to other regional areas. Just the retirement issue is a critical problem for many organizations. NASA, for example, faces a tremendous loss of talent as much of the science and engineering capability will be retiring in the next few years. This situation will have a tremendous impact on the talent management system to ensure that the proper talent is recruited and prepared for their assignments.

A third area that translates directly into needs is the changes in skills and competencies. As technology advances, markets change, and products shift, a different set of skills and competencies is sometimes needed, either in addition to or beyond those currently in the organization. These three areas generate needs that must be translated into specific numbers forecasted, in both short- and long-term scenarios.

Since the majority of needs must be filled from the available labor market, a market analysis is critical. When examining the labor market, several issues must be taken into consideration. First is the supply of labor in the recruiting area. This is a critical issue for some organizations because of labor shortages. This may require the relocation of facilities to ensure a better source of labor. For example, many automobile companies based outside the United States are developing plants in record numbers in the southern part of the United States. For example, Toyota, Honda, Mercedes Benz, and Hyundai have all developed major plants in the state of Alabama, making this state the automobile capital of the south. A major part of the attraction is the available labor supply—in both quality and quantity—as well as a strong work ethic.

Planning for Talent

After the numbers have been developed and the market is analyzed, the plans are developed, generating a schedule of the number that will be acquired at what times, from what sources, and—sometimes—by job group. If it becomes apparent that the market will not be able to supply the required resources, the shortages must be addressed and alternatives developed. For example, due to the difficulty of recruiting fully trained nurses, hospitals have created their own nursing schools, sometimes in conjunction with a university, at other times on their own. This is a classic case of attempting to regulate supply versus demand; taking control of the situation and creating the supply. This situation creates an important issue that must be part of the talent planning—that of scenario planning. Because all forecasts contain error and there are many events that can have a significant effect on the sources, including success, different scenarios should be developed, including worst-case conditions. This process provides insight into what can, should, and perhaps must be done to ensure that available talent is on board when needed.

ACQUIRING

Acquiring talent has four key issues: attracting (in essence, creating a talent magnet); recruiting (getting them into the organization); selecting (making the selection decision); and employing (actually putting them on the payroll). Each of these is an important step, often performed by different individuals.

Attracting Talent

Attracting talent is a long-term issue. The attraction of a place to work covers several issues, but two very important ones relate to the issue of developing a talent magnet. One issue is being an employer of choice, representing a great place to work. The second is the overall reputation, or employment brand, of the organization. Employers of choice have several things in common. They recognize and organize a work/life balance program that meets needs across the business; have professional and personal development opportunities for all; possess the ability to make a contribution to the firm tied to personal responsibility; enjoy a friendly and culturally rich environment, and

operate a business that is responsible to the community as a whole. In the United States, employer-of-choice issues are developed by a variety of organizations and publications. The most common is the one developed by *Fortune* magazine and reflected as The 100 Best Companies to Work For and was described earlier in the chapter.

Organizations are working harder to polish their images in the eyes of prospective talent. Some have staff who do little but keep the firm's name in front of both faculty and students and promote their "employer brand." For example, GE focuses on over thirty universities where it actively promotes itself as an employer. Price-waterhouseCoopers (PWC) targets about two hundred universities and gives a partner responsibility for each. PWC says that each of these partners spends up to two hundred hours a year building relationships on campus.

The reputation is based on several factors. Harris Interactive and the Reputation Institute published a corporate reputation poll based on the views of almost thirty thousand respondents. They developed six categories to rank reputation:

- Emotional appeal;
- Products and services;
- Workplace environment;
- Social responsibility;
- Vision and leadership; and
- Financial performance.

The reputations, particularly for those issues about a place to work, are often evolved and developed over time and have to be driven by senior leadership. A few scandals, ethical concerns, or ineffective leadership can spoil an otherwise superb reputation. Many companies work very hard to ensure that their image, from a talent attraction perspective, is superb. In essence, they are attempting to brand their organization as a great place to work as well as a great place to invest. Sears perfected this sentiment in their overall strategy to create a compelling place to shop, a compelling place to invest, and a compelling place to work, putting the customers, shareholders, and employees on equal footing.

Recruiting Talent

Recruiting has changed significantly in the last decade; not only the methods, but the overall approach. Exhibit 1.3 shows how the recruiting strategies have shifted from the old to the new. The new recruiting strategies are reflecting a comprehensive process involving many organizations with long-term focus.

Exhibit 1.4 shows the shift in the methods of recruiting. Although the traditional methods are still being used, newer methods are being adopted, particularly those involving web resources and networking. Monitoring current events in specific areas to understand where the talent may be located or what may be driving available talent is an effective tactic. Embracing employees so that they not only become referrals for others, but serve as talent scouts is another useful

Traditional Selection Methods	Non-Traditional Selection Methods
Resumes	Behavioral interviews
Background checks	Job simulation
Reference checks	Pre-employment training
Testing	Assessment center
Physical exams	Work samples
Drug testing	Referral profile
Interviews	

Exhibit 1.3. Shifts in Selection Methods

Traditional Recruiting Methods	Non-Traditional Recruiting Methods
Job service agencies	Web resources
Recruiting ads	Open houses
Professional recruiters	Receptions at conferences
Campus recruiting	Information seminars
Internships	Diverse profile candidates
Employment support groups	Military recruiting
Community recruiting	Employee talent scouts
Job fairs	Networking
Walk-in applicants	Employee referrals
Trade and professional associations	Monitoring current events
Employment hotline	Pre-employment programs

Exhibit 1.4. Shift in Recruiting Methods

approach. Because of the scarcity and competition for quality talent, a talent war is being waged in certain industries. Non-traditional recruiting methods are often needed to capture the interest of the passive prospect. Recruiting has become so subtle that some organizations, such as Cisco Systems, have a philosophy of not hiring people who are actually looking for a job.

Selecting Talent

Recruiting brings the prospects for consideration. Next comes one of the most critical talent decisions—the employment decision and how it is made, who makes it, when it is made, or whether or not it is accepted. Although the selection is only one component in the talent management system, the selection must be consistent. It is at this stage that the most scrutiny comes in terms of being fair and equitable. An inconsistent selection process is doomed to be challenged and may be difficult to defend. A systematic process is followed for each selection so that no one is subject to disparate treatment and represent an adverse impact. Figure 1.4 shows the selection system for a commercial banking officer for a large banking firm in the United States. The figure shows steps in the process and where the applicant can be rejected. Because there are so many components in a typical selection process, it has to be organized very carefully so that the selection time is minimized.

Just as the recruiting methods have changed, so have the selection methods. Exhibit 1.5 shows the non-traditional selection methods now being utilized to make a better employment decision. Executives are anxious to ensure a good fit for the employee before the ultimate selection is made. After it is made, it becomes expensive, time consuming, and disruptive to make adjustments or changes.

Employing Talent

Employing talent is the processing and administrative steps, but still important. Timing and convenience are the concerns as new talent joins the organization. All payroll tax forms and employee benefits forms are completed. An organized system is the key to handling these steps efficiently, effectively, and with as little frustration as possible. Two important problems areas must be avoided: administrative

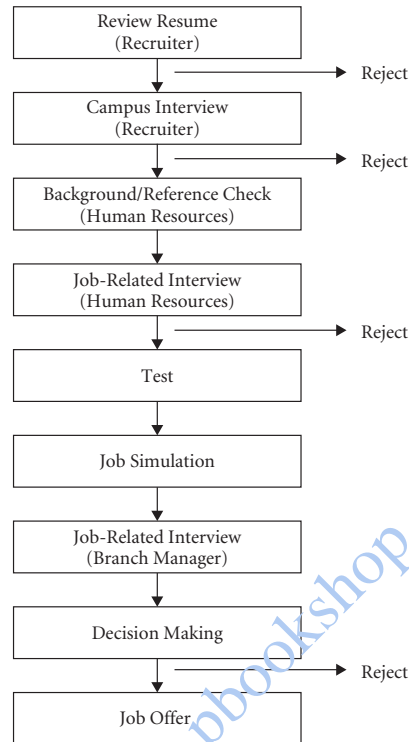


Figure 1.4. Selection System for Commercial Banking Officer

delays in the processing and unpleasant surprises, particularly those that can create a negative impression.

DEVELOPING TALENT

After the talent is on-board, the learning and development process begins with on-boarding, initial training and learning for the job, and development to refine processes and improve capability as well as preparing individuals for other job positions.

On-Boarding New Talent

Initial indoctrination and orientation (or on-boarding, as it is sometimes called) creates lasting impressions. It is important for new talent to have a positive first day on the job and an outstanding first

Old Recruiting Strategies	New Recruiting Strategies
Grow all your own talent	Recruit talent at all levels
Recruit only for vacant positions	Search for talent all the time
Go to a few traditional sources	Tap many diverse sources of talent
Recruiting is limited to a few individuals	Every employee is a recruiter
Advertise to job hunters	Find ways to reach passive candidates
Specify a compensation range and stay within it	Break the compensation rules to find the candidates you want
Recruiting is about screening	Recruiting is about selling as well as screening
Hire as needed with no overall plan	Develop a recruiting strategy for each type of talent
Keep a low profile except during employment growth	Create and brand an employer of choice

Exhibit 1.5. Shifting Strategies of Recruiting

Adapted and updated from Ed Michaels, Helen Handfield-Jones, and Beth Axelrod. *The War for Talent*. Boston, MA: Harvard Business School Press, 2001.

week. In some job situations, where employees have an opportunity to move quickly to another job with little investment, an unpleasant experience in the first week of work may result in an early turnover, that is, departures in the first month of employment. When this number is excessive, 10 percent, for example, this is an indication that either the selection was improper or that something happened in the early days of employment to change the person's opinion.

On-boarding helps the individual align with the organization, its values, mission, philosophy, policies, and practices. Employees must understand the rules, practices, policies—even the unwritten ones—so that initial success can be ensured. It is important to avoid frustrating experiences, missteps, miscues, and unpleasant surprises. At the same time, this is the best opportunity to secure the employee commitment to the organization. Both the motivation and the potential for engagement are extremely high. Both the efficiency and effectiveness of handling the orientation are important.

Preparing New Talent

Regardless of the level of talent, a certain amount of preparing for the job is necessary. For some it may be significant, as in preparing for

skills or applications unique to the job. For most, it will be a matter of adjusting to the situation and learning specific practices, technology, and procedures. If the competencies are already in place, significant skill building will not be needed. If these competencies do not exist, significant training may be required.

Developing Talent

A variety of learning and development programs must be available to continue to improve performance, refine skills, learn new techniques and adjust to changing technology. A variety of development methods used with specific emphasis on the non-traditional ones.

Career Development

Career development focuses on preparation for the next job or series of jobs. Because today's employees are interested in all types of career movement and development opportunities, several approaches are utilized and explored. Succession planning is part of this as well as other types of replacement planning.

MANAGING TALENT

With talent in place and performing, the next challenge is to ensure that performance improves as employees are highly motivated and thoroughly utilized. Managing talent involves new responsibilities to the CTO: managing the performance and rewarding talent appropriately. In most cases, these functions have previously been performed by the compensation section, but now part, if not all, of this responsibility has shifted to the CTO.

Managing Talent Performance

To ensure that performance is discussed, recognized, rewarded, and understood appropriately, many organizations are focusing renewed efforts on performance management systems. The old approach was through the traditional performance review conducted quarterly, semi-annually, or annually, which was usually a one-way conversation from a manager to an employee. All parties hated the process. Managers hated to do it because there was the potential for conflict

and they did not have the skills or the confidence to do it properly; employees hated it because it did not meet their needs and often left them confused, frustrated, and sometimes angry. The human resources staff hated it because it never seemed to be conducted properly, effectively, or consistently.

CTOs are attempting to make this process less painful by automating the system. For example, a typical approach to performance management is to develop briefing sessions and perhaps even e-learning modules that show how the process should work and the benefits of conducting these types of discussions. Discussions are often more frequent and there is a meeting between the employee and the manager to discuss performance improvement and set goals that align with organizational goals. These goals are entered into an online system, posted for constant review, follow-up, and adjustment. As progress is made, the status is updated. Performance data are available to others who need to keep track of key issues and see how well the system is working overall. Progress is monitored and the feedback is obtained in a variety of follow-up discussions. This approach brings constant overview, feasible goals, challenging assignments, alternative delivery, saves time, and provides excellent documentation. Figure 1.5 shows the performance management system at a large financial services firm. An important challenge for the CTO is to track and manage this type of process so that it becomes a motivational tool to drive performance instead of a headache that creates confusion.



Figure 1.5. Performance Management System Example

Rewarding Talent

Rewarding performance, accomplishments, and milestones are very important. If used appropriately, recognition is one of the most effective motivators and one of the best ways is to tie bonuses and incentives directly to performance. Non-monetary rewards can often be just as motivational. The development of these programs is beyond the scope of this book and can be found in many other references.

When providing recognition, both the substance and the style must be considered. Substance is the value of the reward or recognition from the perspective of the person receiving it. If that person places no value on the reward, it will have very little motivational effect. The style is the manner in which the recognition is provided, including how, when, and where. The style relates to the sincerity of the communication and is just as important as the substance.

RETAINING TALENT

Keeping talent on-board is perhaps one of the most critical challenges for the CTO, representing one of the newest responsibilities. This principle involves managing the retention process and managing layoffs—now a CTO responsibility in some organizations. Much of this book focuses on the issues of retaining talent.

FINAL THOUGHTS

Talent management is fast becoming a critical strategic objective for growing organizations. This responsibility represents an excellent opportunity to create value. The importance of hiring competent talent is evident in any direction. Talent is king—now and in the future. It is the last source of competitive advantage.

Although several managers have always had the responsibility portions of talent management, only recently chief talent officer (CTOs) have evolved with the responsibilities for all talent management functions such as acquiring, managing, and retaining employees. These are key responsibilities that can make an enormous difference and add significant value. A complete talent management system with a single individual in charge—the CTO—is the trend. In this chapter we explored the various elements in the complete system and how the pieces fit together to offer an organized, effective, and successful talent acquisition and management process.

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