

# Introduction

There has been a marked evolution in the critical factors that enable organizations to compete—from factories, equipment, land and capital since before the industrial revolution, to ideas, creativity, problem solving and innovation today. From things to people and from fixed assets to mobile assets.

In the July 2003 edition of *Harvard Business Review*, business professors Roger Martin and Mihnea Moldoveanu state: “In our knowledge-based economy, value is the product of knowledge and information. Companies cannot generate profits without the ideas, skills, and talent of knowledge workers, and they have to bet on people—not technologies, not factories, and certainly not capital.”<sup>1</sup> To survive in the knowledge economy over the long term, organizations must become focused on and capable of managing employees as their most critical resource.

## Workforce Dynamics

Knowledge and information workers now account for more than two-thirds of the U.S. workforce and that share is growing faster

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<sup>1</sup>“Capital Versus Talent: The Battle That’s Reshaping Business,” *Harvard Business Review* (July 2003), 36.

than any other segment of the labor force. There is increasing recognition that the more knowledge- and information-intensive the industry, the more the reliance on its workforce as the key ingredient for success. In addition, workforce costs account for the largest component of U.S. business expenditures today.<sup>2</sup> In this context, industry competitiveness means that a great deal of attention must be paid to managing human capital assets exceptionally well in order to be successful.

But what does this mean? To date, despite plenty of CEOs claiming that talent is their most valuable resource, few companies operate as though talent and talent management are paramount. Organizations have found talent management—the ability to expertly attract, recruit, motivate, develop and retain staff—to be an intricate and complicated matter, and the majority, despite good intentions, have failed to develop enterprise-wide skills to do so. Almost nowhere has the notion of “talent first” penetrated the corporate culture, yet the prevailing environment indicates it must eventually *define* that culture.

As developed world economies have become increasingly information- and knowledge-oriented, job requirements have grown more demanding. Workers now require more education and skills than ever before as positions become more knowledge-based and information-intensive. Long gone are the days when most workers could be dealt with in bulk, like commodities. Today, virtually every full-time hire requires a search followed by careful screening and selection. Staffing takes more time because the consequences of good and bad hires are magnified. Recruiting, training and replacement costs are higher than ever. The cost of turnover is a staggering two to three times most knowledge workers' annual salary.

Beyond staffing, talent has to be managed throughout the entire employee life cycle. This means from hire through retire. Learning and development, performance and incentive management, employee retention, workforce planning and worker redeployment are all part of the new workforce science.

To make a difficult situation worse, the talent required by organizations is often in very short supply. Even during recent economic downturns, unemployment in the U.S. among college

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<sup>2</sup>U.S. Census Bureau, Business Expenses Survey 1997, 14.

graduates has averaged about 3 percent compared to well over 6 percent for the general population.<sup>3</sup> A rebound in the economy with a return to an overall unemployment rate of approximately 4 percent would bring with it a skills and talent shortage potentially worse than that of the late 1990s, and one that might persist for decades if demographic forecasts are accurate.

According to many demographers and labor market economists, including those at the Bureau of Labor Statistics, reduced growth in the labor force due to large-scale retirements and fewer youth entering the job market, combined with a sustained economic upswing and the inexorable demand for higher skills and knowledge, could produce a “perfect storm” in the labor markets later this decade or next.<sup>4</sup> As with most trends, this will occur gradually and there will be plateaus and dips in general and specific worker demand along the way. Given this emerging environment, workers will eventually become more secure about their prospects and the future due to greater demand for their talents. The result is that abundant opportunities fueled by pent-up demand will lead to a readiness to jump ship. Workers will likely be more connected to job boards and recruiters than they were in the tight labor markets of late 1990s. This will facilitate the exodus of talent from organizations that have not taken measures to stem the tide.

E-recruitment, workforce planning and other talent management technologies will be important, but they won't solve the problem. Organizations that routinely institute learning from best practices—especially those that fully know and understand their workforce and are familiar with the external labor market (potential candidates for positions who are presently not employed with the organization); those that practice aggressive (and selective) employee retention strategies (measures to keep the best staff); those that take a “total workforce” (all workers—external, salaried, hourly, temporary, independent contractors, etc.) approach to workforce development; and those that cultivate relationships with staff, alumni (former employees that it would like to rehire) and potential candidates—will have a significant advantage.

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<sup>3</sup>Bureau of Labor Statistics historic unemployment rate tables. See [www.bls.gov](http://www.bls.gov).

<sup>4</sup>See Nicole Stata: <http://www4.hr.com/HRcom/index.cfm/116/5067F265-F624-4082-8E6A17BA6AEC04FD?ost=feature>.

However, preparations must be made early to realize this advantage.

The premise of this book is twofold. First, because talent has become the most critical and important factor in competitiveness, it must be managed at least as carefully as any physical asset. Second, because becoming a talent management organization is so complex and difficult, it cannot be attempted without the aid of today's talent management technologies.

Talent management technologies come in various flavors. Some remain DOS-based or client-server oriented, meaning in part that they are delivered on an organization's network with software on the user's desktop. However, software to assist organizations in their efforts to recruit workers has evolved swiftly since the inception of the Web in 1994. Today, nearly every major vendor of e-recruitment solutions and talent management systems (TMSs) advertises a Web-based toolset that users can access easily through standard browsers like Netscape and Internet Explorer.

No industry has made better use of the Web and remote services delivery (otherwise known as application service provider or ASP) than human resources. This is particularly true of recruitment. Some of the Internet's best-known and most successful brands (for example, Monster, CareerBuilder and Yahoo! HotJobs) are career sites used by millions of job seekers and hundreds of thousands of employers. Where software solutions suppliers in many industries have failed or faltered in trying to deliver their products remotely via the Web, niche staffing software companies like Recruitsoft, IQNavigator and Recruitmax have proven the viability of delivering complex HR tools on the vendor-hosted/Web-delivery model most commonly referred to as ASP. Even the large enterprise resource planning (ERP) vendors that provide broad business software solutions, including PeopleSoft, Oracle and SAP, have made the move from client/server to fully Web-based platforms in the delivery of their talent management and most other HR products.

Despite unfavorable economic conditions in recent years, e-recruit and other human capital management (HCM) software companies have continued to push the envelope. Most notably, it is becoming possible for organizations to license or lease solutions that can help manage talent from the planning stages

through recruitment, learning, performance and incentive management and beyond to redeployment, outplacement and alumni relations. These products offer a wide array of options and can interface with other Web-based and legacy HR solutions to automate and leverage increasingly more of an organization's HR processes.

By 2003, virtually every North American organization of at least 250 employees used one or more e-recruiting methods. Worldwide, 94 percent of Fortune 500 companies operated a corporate career site for recruiting.<sup>5</sup> Many mid-to-large-size companies, not-for-profits, and government departments have also discovered the efficiencies to be achieved by instituting best practices in total workforce management automation, including e-recruitment.

This book focuses on technologies, methods and best practices in staffing, retention and elements of learning, performance and workforce planning. Web services and protocols that facilitate data sharing and integration between disparate Web-based software at lower costs are examined. (We have included screenshots in the book. If you want to investigate the specific screenshot yourself by visiting the Website, the URL has been provided to help you.) Also addressed is how ERP providers, TMS providers and others are designing products that attempt to address all aspects of the HR value chain, from candidate sourcing to hire, right through retirement and beyond. Solutions built through partnerships in which different suppliers' products and services are integrated and vendors, who through partnerships or acquisitions, are attempting to build comprehensive talent management solutions on their own, are explored in detail.

## The Talent Management Process

Leading organizations view the talent management process as an ongoing, holistic and proactive exercise. Internet-based HCM products are supporting this philosophy in a number of ways. The best solutions are enabling the creation of tiered and pre-qualified talent pools (structured and screened candidate databases) to help turn recruiting into a longer-term, continuous

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<sup>5</sup>See HR.com research results in Chapter 3 and iLogos Research (a division of Recruitsoft) at [www.iLogos.com](http://www.iLogos.com): "Global 500 Web Site Recruiting" 2003

and proactive relationship-building exercise for both internal and external talent.

While talent management is about all components of the workforce, including the potential workforce that exists outside the organization, it is principally an internally focused discipline. Unfortunately, most organizations currently pay too little attention to internal job mobility that can boost their competitiveness, efficiency and employee-retention efforts. Effective deployment and redeployment of employees is an emerging area of specialization within HR that requires solid workforce planning, analysis and skills/aptitude/interest tracking. It is essential that organizations develop the capacity to analyze their workforce and redeploy staff effectively. The typical company's growing requirements for workforce flexibility and its need to develop employee skills through developmental assignments means that people change jobs and careers inside organizations as frequently as they do outside.

TMS solutions are a necessary infrastructure to facilitate effective internal deployment of staff. By providing a forum for job postings and a means to capture employees' skills, competencies, aspirations, performance reviews, results from testing and so on, the organization gains knowledge that transforms redeployments from a guessing game to a fine-tuned process.

Another often-overlooked component of the workforce is contingent labor, normally defined as temporary help, contractors and some professional services. Software used for the recruitment and management of the contingent workforce is known as vendor management systems (VMSs) or contingent workforce management systems (CWMSs). These solutions are beginning to merge with those that help recruit and retain the permanent, salaried workforce and those that specialize in the acquisition of the hourly workforce. Integrated total workforce acquisition software will enable organizations to do all of their hiring, worker time and expense management and reporting from one solution. In the same vein, leading vendors are embedding workforce analytics (software to analyze data generated by TMS about the workforce) into e-recruit solutions so that companies can forecast and plan using accurate skills inventories, historical trend data and predictive models, giving them a near 360° view of their internal and external talent pools.

## Trends

The concepts of proactive workforce planning, applicant screening and sorting, candidate assessment and acquisition, and talent retention, along with end-to-end HCM and integrated technologies and services, are shaping emerging best practices in talent management. Customers will be less inclined to purchase technologies that operate in isolation and are difficult to plug into their plans for integrated workforce optimization (the process of putting the right person in the right job at the right time). Progress in the development and adoption of data exchange standards like HR-XML (Human Resource-Extensible Markup Language) and greater migration to Web services platforms, including the use of .Net and J2EE (which assist in making disparate systems compatible for information sharing), will facilitate the trend.<sup>6</sup>

Established best practices from previous years will continue to influence consumers. Organizations will still look to vendors that have proven track records in their industry and in satisfying clients of similar size and needs. Buyers will still require vendors to satisfy concerns about their solutions, including functionality, implementation, integration and data security, and about their business stability, including economic viability and customer service questions. Customers will want ever-increasing control over the solutions they purchase, including powerful configuration tools that can be operated by trained, non-IT staff. Increasingly, buyers will not only ask for and check references, they will arrange on-site visits to see how solutions impact return on investment (ROI) and affect various users including HR professionals, recruiters, hiring managers and staff. Finally, when choosing ASPs, customers will request tours of data facilities to ensure that the vendor offers adequate network, physical and personnel security.

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<sup>6</sup>Extensible Markup Language, or XML, is a coding language that describes data and is used to set standards across and between industries. For instance, in a resume, XML tags can describe the various possible fields captured so that HR technology developers can build their solutions to a common standard that will recognize a resume and its contents across all platforms and solutions. Once completed and universally adopted, HR-XML or a similar standard will facilitate document sharing and systems integration in the HR industry.

With few exceptions, and in contrast to the late 1990s, the foremost staffing problem so far this decade is not sourcing candidates, but the screening, sorting and processing of a flood of applications. This may not change dramatically in the short-term, but should gradually give way to a more balanced challenge between screening and sourcing candidates if demographic projections of worker and skills shortages prove accurate. Still, even when the economy improves, organizations will have realized the ROI in advanced automated selection tools and they will not look back. The pressure on e-recruit vendors to develop additional and better screening, candidate self-selection and automated (i.e., online) assessment/testing tools will continue. Much of the ROI in e-recruitment today is found in methods by which companies accurately, fairly and ethically reduce the number of applicants they receive to a manageable list. The coming months and years will see rapid advances in scientific and valid screening and assessment technologies.

For large organizations that have implemented human resource management systems from ERP vendors like PeopleSoft, Oracle, SAP, Lawson and others, the question has been when and if these suppliers will offer first-rate talent management software that can truly challenge the solutions offered by niche vendors known as “pure plays” or “best of breed,” who typically specialize in TMS solutions and offer nothing else. It is difficult to predict when pressure from ERP vendors, continued economic stagnation and/or other factors will produce consolidation among pure-play and best-of-breed e-recruitment vendors. As such, buyers must remain vigilant in selecting vendors that can demonstrate viability. In the same vein, they should not blindly, or by default, select their ERP vendor’s e-recruitment and other TMS solutions. Nor should they look only at solutions from the biggest and best-known pure-play vendors when there may be opportunities for better fit and greater value from smaller, less-known suppliers.

## Risks

It is clear that while e-recruitment and TMS technology can save time and money, much of it, and many of its vendors, will never gain a permanent foothold. Organizations run a substantial risk of

wasting resources by pursuing the wrong solutions and/or vendors, or getting caught up in poorly planned and executed implementations. The following chapters discuss strategies to ensure companies perform proper due diligence in selecting technologies and processes that hold the most promise without constantly trailing the early adopters and suffering competitively as a result. Ideas and tools are identified that have either gained traction or will do so as a result of delivering real return on investment and giving their users some insurance against the future.

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