

Making the Best of It: Why Tough Times Make Talent Management Essential in the Public Sector

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Introduction

Today's fiscal realities are leaving few good choices for federal, state and municipal entities. Budgets have never been tighter, spending cuts are inevitable and many reductions will come in the areas of personnel and training. However, public sector employers need to consider the talent impacts of these cuts in light of generational shifts, impending retirements and the need to fill leadership and talent gaps.

Investing in talent is essential to maximizing employee productivity and maintaining the highest possible level of service for constituents. Talent management solutions can help public sector employers deliver better training at a lower cost, develop and engage their people, and plan for the leadership and talent needs of the next generation.

In this environment, talent management is not optional, it's essential because of the pressure to streamline talent processes in ways to improve efficiency, reduce risk and lower costs. Technology – and specifically SaaS (Software-as-a-Service) talent management solutions – will play a crucial role since traditional strategies and tactics are no longer sufficient. Governments will need technology to play a transforming role in service delivery and operations.¹

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Intense cost pressures increase the need for talent solutions

The current fiscal environment is a difficult one for public sector employers at all levels. To address current talent challenges, two realities must be taken into account:

- **Deficits are forcing deep spending cuts:** Fiscal year 2012 is shaping up as one of the most difficult budget years on record. In Washington, D.C., the federal government is facing a \$1.6 trillion deficit – the largest in U.S. history.² At the state level, some 44 states and the District of Columbia are projecting budget shortfalls totaling \$112 billion for fiscal year 2012. One reason these gaps are so daunting is that states' options for addressing them are few. Federal assistance for states, which has been enormously helpful in allowing states to avert some of the most harmful potential budget cuts, will be largely gone by the end of fiscal year 2011.³ Municipal governments are also struggling with sinking revenue and deficits that could lead to bankruptcies.⁴ At all levels, governments are facing tough choices.
- **Unfunded pension and retiree healthcare liabilities add to the pressure:** The Pew Center for the States has placed the unfunded pension liabilities and obligations of public sector funds at \$1 trillion.⁵ Others claim the number could be as low as \$700 billion or as high as \$3 trillion.⁶ Unfunded promises to provide state and local retirees with continued health coverage could add another \$500 billion in costs.⁷

With these cost pressures leading to staff and training cuts, the need for talent management will be magnified.

With effective talent strategies, you can develop your workforce to address the most pressing public sector talent challenges. You can develop both top performers and average employees to be more productive and engaged, and build a talent foundation for the future even as you address today's urgent needs. Technology can help your processes run smarter, as well as integrate information, communication and operational technologies. In turn, the leveraged technology can be used for planning, management and operations across multiple process areas to generate sustainable public value for your constituents.

Public Sector Talent Challenges

- **Doing more with less:** Layoffs and furloughs will make employee productivity even more crucial.
- **Addressing the pressure of demographic changes:** The public sector workforce is older than the private sector workforce. For example, the federal Office of Personnel Management predicts that 241,000 federal employees will retire by the end of fiscal 2012 and one out of every three federal employees will retire by 2018.
- **Identifying and retaining top performers and high potentials:** Because public sector pay scales are lower than the private sector, retaining today's top performers and tomorrow's leaders will be a challenge as the overall unemployment rate declines and more options open up.
- **Filling leadership and talent gaps:** Many of those older workers eligible for retirement are senior executives and technical positions that are among the hardest to fill.

² Budget Deal Still Leaves Largest Deficit in History. CBSNews.com. April 9, 2011. http://www.cbsnews.com/8301-503544_162-20052453-503544.html

³ States Continue to Feel Recession's Impact. Center on Budget and Policy Priorities. March 9, 2011. <http://www.cbpp.org/cms/?fa=view&id=711>

⁴ 16 U.S. Cities That Could Face Bankruptcy in 2011. Yahoo!Finance. December 21, 2010. http://finance.yahoo.com/tech-ticker/16-us-cities-that-could-face-bankruptcy-in-2011-yftt_535744.html

⁵ The Pew Center on the States. The Trillion Dollar Gap. February 2010.

⁶ Misunderstandings Regarding State Debt, Pensions, and Retiree Health Costs Create Unnecessary Alarm. Center on Budget and Policy Priorities. January 20, 2011. <http://www.cbpp.org/cms/index.cfm?fa=view&id=3372>

⁷ Ibid.

Talent solutions to support public sector employers

Although doing more with less will be a reality for the foreseeable future, public sector employers will need the tools to take a careful look at talent practices.⁸ Talent management technology offers public sector employers the ability to optimize talent processes, mitigate risks that are inherent in manual talent processes and improve development opportunities at a time when training budgets are tight or, in some cases, nonexistent.

Talent management technology can support public sector employers with:

- **Enterprise learning:** The unfortunate reality is that training and learning programs are often the first to get cut when budgets tighten. However, training lets employees know they are valued and results in a workforce better prepared to handle the increased pressures that come with hiring freezes and downsizing.⁹ To sustain learning initiatives, training in the public sector will need to reduce costs. Replacing traditional classroom training with e-learning is one way to demonstrate to employees an agency's commitment to professional development without significant added costs.¹⁰ Younger workers want to learn in different ways and expect technology to play a role. Online training can replace classroom training, including the need to travel or be away from the workplace. E-learning also makes it far easier for managers to track completion of training and improve compliance while focusing on development that reduces skill gaps.

The Benefits of SaaS

SaaS (Software-as-a-Service) technology allows public sector employers to rapidly implement talent solutions at a far lower cost and with greater operational efficiency than legacy on-premise ERP implementations of the past. The advantages of SaaS talent management solutions include:

- **Rapid deployment, easy scalability:** SaaS products are Web-based and can be deployed anywhere quickly, sometimes in a matter of weeks. You can add modules or users easily as you need them.
- **Easier to operate:** Because SaaS implementations do not require the same infrastructure as an ERP-based system, you do not have the hassle or expense of investing in servers or the people to support them. Your SaaS provider handles support, and upgrades are seamless.
- **Lower cost, higher satisfaction:** Unlike expensive ERP installations, which require a major upfront expense, SaaS costs usually involve only some set fees and a small monthly per-user fee. Also, SaaS providers work on a licensed model, so they must always be working to keep your business.
- **Faster ROI:** Agencies are positioned to receive immediate benefits from a SaaS implementation — benefits that rapidly recoup and surpass the cost of the service.

⁸ The Pew Center on the States. People Forward: Human Capital Trends and Innovations. August 2009.

⁹ Ibid.

¹⁰ Ibid.

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- **Performance management:** Assessing and managing performance is always important, but especially so in times of hiring freezes and downsizing. Up-to-date performance appraisals can identify the top performers whom the agency would like to retain, and appraisals can inform the difficult decisions of which employees should be redeployed or furloughed.¹¹ Technology makes it far easier to link individual performance management to organizational performance management, especially if individual performance expectations are aligned with agency goals and measures.¹² Employers will also benefit from increased visibility into employee performance. Additionally, the cost of automated performance management is 20 percent lower than the manual cost.¹³
- **Succession management:** As the overall unemployment rate declines, private sector companies are hiring, so state employees may be seeking jobs elsewhere.¹⁴ To further complicate matters, some employees may take early retirement or defer retirement for a few more years. In the public sector, it has never been more difficult to assess which talent and leadership can be leveraged. Demonstrating that there are still opportunities for promotion — or even for lateral transfers — can help to keep strained employees from actively searching for other prospects.¹⁵ Succession management technology allows you to build career paths and talent pools for employees, as well as understand where serious talent and leadership gaps exist so you can address them today.
- **Leadership development:** The shortage of leaders is so acute that leadership development programs should be retained to the greatest extent possible, even if they must be modified. Most government and public sector employers suffer from the same problem: not being able to fill positions quickly enough. Public sector employers need strategies and tools in place to transfer knowledge and develop a new bench of talent.¹⁶ Combining learning, performance and succession technologies allows you to see the leadership gaps in your organization and to assign development opportunities so that you're prepared to meet those needs.

¹¹ Ibid.

¹² Ibid.

¹³ CedarCrestone. Value of HR Technologies. 2008.

¹⁴ The Pew Center on the States. People Forward: Human Capital Trends and Innovations. August 2009.

¹⁵ Ibid.

¹⁶ Bersin & Associates. High Impact Leadership Development 2009.

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Talent Management for the state of Nebraska

The Nebraska state government deals with many of the same talent management challenges as other public sector employers, including the need to provide cost-effective, consistent development while doing more with less. "The governor believes very strongly that we need to do a better job of taking a consistent approach to developing talent across the board," said Mike McCrory, Nebraska's state personnel director. "That's why we started using performance, learning management and succession planning integrated with each other – we want to identify, strengthen and then engage the talent where it can provide the most benefit to state government."

Fortunately, the state was able to start implementing its talent management solution without significant increases to anyone's budgets, including:

- **Onboarding:** Automated onboarding will allow Nebraska to train and provide employees with a consistent message about the values and goals of state government. Agency leadership will have the opportunity to describe how those values and goals cascade through the agencies where they are working.
- **Performance:** Use of metrics to measure performance and development is one area where successful government agencies have excelled. Talent management tools create a user-friendly environment that allows managers, administrators, directors, members of the legislature and others to literally click, drop and drag information from dashboards and other resources to create their own performance measurement. Users can look at performance metrics across the board to make sure an agency is working toward the governor's goals and providing citizens with the most efficient and cost-effective service for their tax dollars.
- **Learning and succession:** Nebraska is coordinating learning and curriculum throughout the state government to provide a consistent approach to developing talent across the board in response to demographic changes. Learning is the natural place to integrate performance and succession because the governor feels strongly that development should provide people with the learning opportunities they need to advance in state government.

Implementing a full range of talent management services not only enables the state of Nebraska to take a consistent approach to talent, it has provided opportunities for cost savings. For example, as it began implementing SaaS across different agencies, the state realized it had over 13 different contracts with service providers for teaching CPR classes – a situation that can now be addressed by selecting one statewide vendor. "One of the great things about the talent management solution, I believe, is that it's really going to level the playing field and provide resources to all agencies that have not been previously available," said McCrory.

(SOURCE: Talent Management Magazine: Talent in a Frontier State. November 2010. <http://www.talentmgt.com/departments/insight/2010/November/1380/index.php?pt=a&aid=1380&start=0&page=1>)

Best practices

The public sector has lagged behind other industries in the use of talent management solutions, according to Bersin & Associates. However, many governments and public agencies that are looking for ways to reduce costs and improve productivity are now turning to these solutions. To reduce the time to productivity and ROI, consider the following recommendation:

- **Establish development plans for all employees:** Leadership positions and critical roles are obvious choices for targeted career development through performance, succession and learning initiatives. However, career development for all employees is a worthwhile investment. In the private sector, organizations with high-quality development plans for all employees have 26 percent higher revenues than companies that do not. But don't overlook training and formal development programs for employee supervisors.¹⁷ Extra training will prepare them to mentor and coach employees and maximize the value of your investment.
- **Build a foundation of competencies:** Establishing the competencies – the knowledge, skills and behaviors that are used to develop people in your organization – is a critical step for the success of your talent management initiative. These competencies will allow you to build job profiles that will guide career development, training and performance improvement across your organization. You will also find it easier to deliver the ROI because the business impact of career planning is 45 percent higher for organizations with good or excellent leadership competencies.¹⁸
- **Integrate career development planning into performance management:** Performance management should be more than an assessment of job performance. It is an opportunity to engage employees in their work and to establish goals. For best results, incorporate activities that will help employees to develop the skills needed to meet both individual and organizational goals. Also, you should have supervisors review plans with employees periodically, ideally on a monthly or quarterly basis.¹⁹
- **Build internal talent pools:** One of the biggest mistakes that the private sector made during the recession was the elimination of entire business units without any attempt to identify and retain high-performing and high-potential employees. Building internal talent pools can prevent public sector employers from making the same mistake.
- **Leverage the power of informal learning:** For most employees, learning on the job from one's peers is the most effective and powerful method of learning. However, these initiatives don't happen by accident. Creating the appropriate structures and providing the right tools can take learning out of the classroom and into the workplace where it belongs – and deliver more ROI on your investment dollars.

¹⁷ Bersin & Associates. 2009 Talent Management Factbook.

¹⁸ Bersin & Associates. Competency Management. 2008.

¹⁹ Bersin & Associates. Modern-Day Career Management. 2009.

Conclusion

One of the biggest mistakes that government employers made in the recession of the early 1990s was cutting the next generation of leadership and talent without consideration for the impact on the future. Cost savings today don't have to occur at the expense of tomorrow's needs. Governments and public agencies at the federal, state or municipal level can reduce cost and improve productivity today while building a foundation for tomorrow with talent management automation.

Cornerstone OnDemand can integrate learning, performance and succession into a seamless, integrated development strategy for managers and employees at all levels of your organization. Our 100 percent SaaS solution can deliver mission-critical information in real time, anywhere you work. Cornerstone's talent management solutions can also:

- Align employee training and performance with agency goals
- Deliver organization-wide training initiatives on demand and with measurable results
- Assure complete transparency around all processes – learning activities, readiness gaps, performance reviews
- Facilitate goal management and succession planning
- Offer government-specific online courses about sexual harassment, IT security, ethics and more
- Comply with Section 508 of the Rehabilitation Act of 1973
- Automate SF-182 processing and approval workflows
- Comply with EHRI data capture and reporting

To find out more, contact us today.

About Cornerstone OnDemand

Cornerstone OnDemand is a leading global provider of a comprehensive learning and talent management solution delivered as software-as-a-service (SaaS). We enable organizations to meet the challenges they face in empowering their people and maximizing the productivity of their human capital. Our solution consists of five integrated platforms for learning management, enterprise social networking, performance management, succession planning and extended enterprise. Our clients use our solution to develop employees throughout their careers, engage all employees effectively, improve business execution, cultivate future leaders and integrate with their external networks of customers, vendors and distributors. We currently empower more than 5.2 million users across 179 countries and in 25 languages.