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Talent Management Investments – Focusing on What Matters Most through Talent Planning

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Introduction

Talent management has become one of the most pressing topics within HR organizations today – and it is no wonder, given the current economic environment and business imperatives. Under the cloud of recession, the majority of companies is under increasing pressure to cut costs and reduce the workforce. At the same time, the aging workforce has opened up significant gaps in companies' leadership pipelines, putting corporate performance at risk. Further, organizations in several industries (such as healthcare, utilities and engineering) face a severe shortage of specialized skills, and thereby threaten their ability to execute on their business plans and strategies.

While the need for talent management strategies is escalating, companies struggle with on what to focus investments in a cost-constrained environment, and how to communicate the value and expected return.

In this research bulletin, we will outline the approach HR organizations must take to identify, cost-justify, develop and implement the highest-impact talent management strategy.

Defining "Talent"

Before we explore talent management strategies, it is important to set on a definition of talent. For many companies, the definition of talent has been limited to the "top of the house" or leadership ranks. Companies with particularly strong succession management practices

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KEY POINT

Our definition of “talent” includes key people in pivotal or critical job roles, as well as employees who possess and are pursuing specialized and in-demand skills.

have expanded their definitions to include employees identified as having “high potential”¹ or those included on succession slates. But even with the expanded definitions, talent management strategies in these companies have historically been limited to leadership development and succession planning programs.

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Defining Talent Management

Similarly to “talent,” the term “talent management” means many things to many people. To some, it refers exclusively to recruiting and staffing; to others, it centers on managing employee performance or leadership development. Moreover, with the advent of talent management systems, talent management is also used as a euphemism for more efficient and aligned strategic HR processes.

While better HR is a good thing, we define talent management in a broader sense – “as a set of organizational processes designed to attract, develop, motivate and retain key people.” The best talent management strategies are very business-focused and provide the business with answers to critical questions, such as the following.

- Which roles drive greatest value in our organization and do we know where we stand?
- Are we allocating limited resources for highest impact?
- How can we stay ahead of the competition while reducing headcount?

From an organizational perspective, talent management requires an even bigger focus today, moving beyond the realm of helping individual business units and functions. Now, the focus is on building “organizational capabilities,” not just “individual capabilities.” Talent

¹ A “high-potential employee” is an employee who has been identified as having the potential, ability and aspiration for successive leadership positions within the company. Often, these employees are provided with focused development as part of a succession plan and are referred to as “HiPos.”



management forces the HR organization to look holistically at business challenges – and build integrated processes, in partnership with the business, that solve the talent management challenges in today’s workforce. This is what we call “business-driven talent management.” Ultimately, the goal of talent management is to create a high-performance, sustainable organization that meets its business targets and increases its competitive advantage.

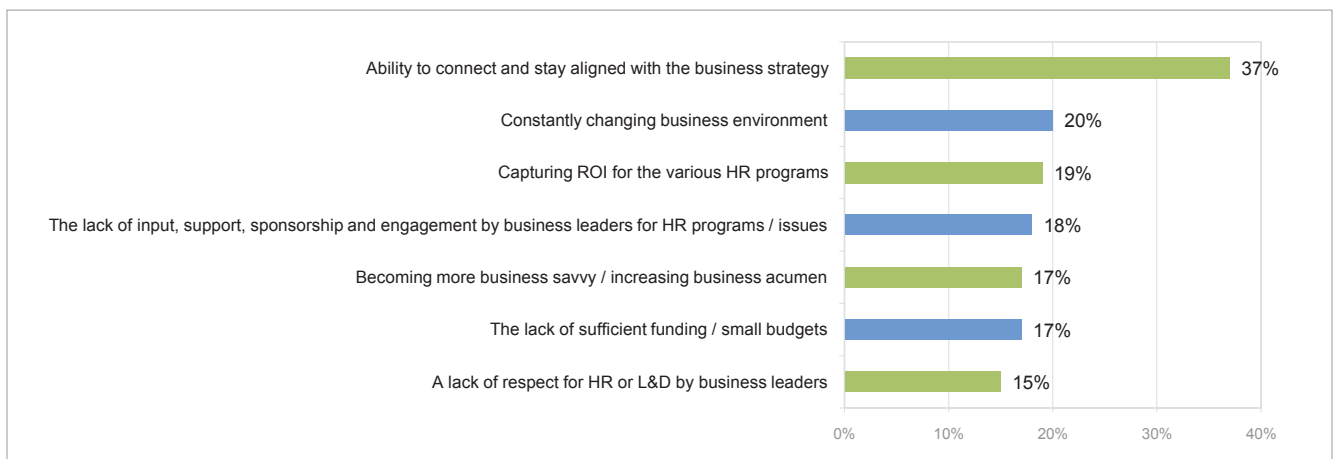
In this new world, HR is not the “leader” or “owner” of the talent management strategy but, rather, the craftsman and steward of the strategy – leadership must come from line-of-business executives and managers. Success ultimately depends on how well business leadership adopts and understands the talent planning process.

This issue of how HR realizes business alignment will be the focus for the remainder of the report.

Talent Planning

In a recent Bersin & Associates study on the state of the HR profession², survey respondents identified “the ability to connect and stay aligned with the business strategy” as their top challenge (Figure #1). This is

Figure 1: The Top Challenge of HR Professionals Today



Source: Bersin & Associates, 2009.

² For more information, *The HR Professional Factbook*, Bersin & Associates / Josh Bersin, June 2009. Available to research members at www.bersin.com/library or for purchase at www.bersin.com/hrprofactbook.





KEY POINT

Although 92 percent of companies have some level of workforce planning, only 21 percent take a strategic, long-term approach to addressing the talent demand, talent supply and the actions necessary to close the gap between the two.⁴

a considerable challenge that HR organizations need to address with vigor. To support business-driven talent management, HR absolutely must have a deep understanding of the organization's operating plan and strategy. HR must also be able to predict its company's and industry's demands for skills in order to provide strategic consulting services in developing the organization's talent plan by:

- Identifying the skills gaps;
- Impending leadership gaps; and,
- Addressing other key workforce and talent challenges.

This first step in developing a business-driven talent management strategy is called "talent planning." In support of the business strategy, talent planning is a formal set of processes that identify and forecast talent needs. When done effectively, it is a part of a sophisticated approach to strategic workforce planning³ and is one of the most strategic processes an organization can undertake. Unfortunately, most organizations' workforce planning efforts today consist of gathering open headcount requirements only. Few organizations go to the step of analyzing current and future critical skills gaps, much less engaging in talent planning. As a result, they are doing a mediocre job of filling their current talent gaps and have no insight into their future needs. Worse yet, when talent planning initiatives are not aligned with the business (*which is common when efforts are focused exclusively on succession planning and leadership development*), companies risk sub-optimizing their investments and have no institutional method of allocating limited resources to the highest priorities of the business.

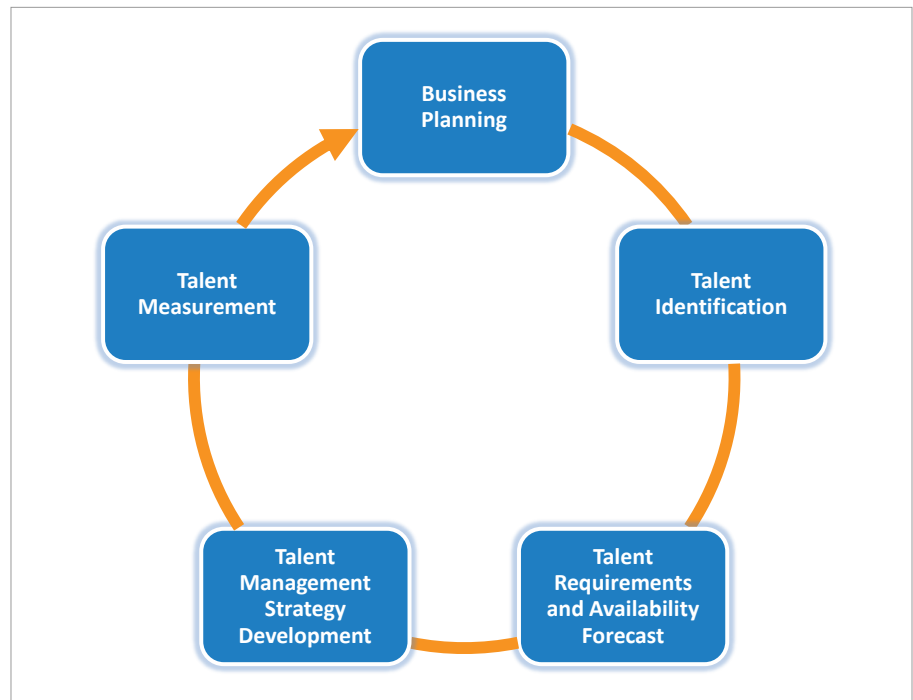
Talent Planning and Strategy Development Lifecycle⁴

Talent planning should be viewed as an ongoing set of practices that have a significant impact on the overall mission and objectives of the company. For this reason, it should not be considered another HR process. Rather, at its best, talent planning is a collaborative effort in

³ For more information, *The Modern Approach to Workforce Planning: Best Practices in Today's Economy*, Bersin & Associates / Madeline Laurano, April 2009. Available to research members at www.bersin.com/library or for purchase at www.bersin.com/workforceplan.

⁴ Ibid.

Figure 2: The Approach to Talent Planning Practices



Source: Bersin & Associates, 2009.

which HR takes on the role of business partner and business leaders execute on the talent strategies.

We define talent planning practices continuously occurring in a five-phased approach (see Figure 2).

Business Planning

Now more than ever, organizations must integrate talent issues into the strategic business planning process. With a clear understanding of the needs of the company, business leaders can employ talent management strategies to address organizational capability gaps as part of their overall management processes. This new focus on “the business of talent” demands that leaders take an active role in the justification and execution of critical talent initiatives. But in order to do so, they must be equipped with the information regarding talent and the overall labor market.

In most organizations, there are usually two levels of business planning – strategic planning and one level deeper, operational



planning. Figure 3 provides an overview of the typical activities that are part of planning efforts. HR business partners should be involved in the planning efforts by providing valuable workforce and talent information to guide and shape the company's business plan and strategy.

Figure 3: The Two Levels of Business Planning



Source: Bersin & Associates, 2009.



KEY POINT

High performers are the most difficult and costly employees to replace.




KEY POINT

Keep in mind that the talent management initiatives cannot discriminate against any protected class of employees per EEOC regulations.

Talent Identification

Armed with the business plan and strategy, HR business partners must work with business leaders to identify the “talent” to be “managed.” Depending on the company, talent may be defined as:

- Critical jobs and positions that significantly impact business operations and which play key roles in an organization’s strategic direction;
- Jobs for which competencies and skills are scarce either today or projected for the future;
- Leaders and employees identified as having high potential;
- Leaders identified on succession plans;
- Key influencer jobs;
- Difficult-to-fill positions due to a lack of specialized skills, market demand or other environmental factors;
- Job roles and positions that are difficult to replace and / or expensive to replace; and,
- Job roles and positions held for many years by employees who are likely to leave or retire with considerable tacit knowledge and relationships.


While HR practices such as recruiting, performance management, compensation, and learning and development touch all employees, it is essential to identify specific talent segments for talent management initiatives as investments can be significant. The talent segments should have the greatest impact on the business and the investment should yield the highest return to the organization. 

Talent Requirements and Availability Forecast

Talent gaps are determined by careful analysis of the forecasted talent requirements and the availability of talent. Conducting a gap analysis provides the information organizations need to determine the company's bench strength and the risks to delivering on the business plan strategy. The data required to conduct the analysis will typically be derived from job⁵ and employee profile matchup, competencies assessments in the performance management process, and through multirater feedback assessments as part of leadership development.

The Current Reality⁶

Due to a lack of quality and consistent data, and minimal involvement in the business planning process:

- Sixty-eight percent of companies surveyed are unable to identify talent gaps within their organizations;
- Sixty-seven percent have only some view of talent, or little or no view of talent gaps; and,
- Nearly one-half are unable to forecast talent gaps. 

Talent Management Strategy Development

The talent management strategy identifies the approaches the organization will take to close the talent gaps, ensure business continuity and prepare the company for the future. Approaches should include internal retention and development efforts, external sourcing and hiring, and possibly an alternative organization design. The talent management strategy also identifies the organization's readiness to support certain initiatives (e.g., HR processes, data, culture and

⁵ "Job profiles" define the required skills, competencies, certifications, work experiences and other attributes required for success in a particular job or role.

⁶ For more information, *The Modern Approach to Workforce Planning: Best Practices in Today's Economy*, Bersin & Associates / Madeline Laurano, April 2009.

★ BEST PRACTICE

Identifying and retaining top performers is one of the more important measures an organization can take to maintain the health of the company.

technology), the prioritization of initiatives and the allocation of resources.

Common talent strategies include:

- Succession management;
- Career development;
- Talent acquisition;
- Leadership development;
- Pay for performance; and,
- Onboarding programs.

It is important to note that all of these strategies span multiple HR process areas, and require the integration of process and data.

Talent Measurement

The appropriate measures should be established in order to track and objectively assess the effectiveness of talent management initiatives. These measures should include the typical HR measures of engagement and turnover – and go beyond these by including indicators of business performance (such as time to productivity, quality gains, and opportunity costs and savings). The talent plan document should communicate these measures and a sophisticated measurement tracking program should be in place to monitor progress. Figure 4 provides a listing of benefits, typically identified as “measures,” for talent management initiatives.

Figure 4: Talent Management Initiative Measures

Savings	Earnings / Value Creation
<ul style="list-style-type: none"> • Increasing retention of top performers • Sourcing talent from within • Identifying sources of quality hires / strategic sourcing • Identifying poor performers • Targeting development • Ensuring ready talent • Aligning rewards to performance • Key skills retention • Improving service delivery • Streamlining technology 	<ul style="list-style-type: none"> • Achieving business goals • Improving productivity / financial performance • Quality gains • Seizing opportunities • Increasing employee engagement • Being viewed as an employer of choice / positive brand • Forecasting and ensuring the right people in the right jobs at the right time at the right cost

Source: Bersin & Associates, 2009.

The Talent Plan

These five phases provide the information included as part of a formal (but continuously updated) talent plan document that should accompany the business plan and associated budget. A talent plan typically includes the following elements.

The talent plan:

- Focuses the strategy and initiatives on mission-critical skills and jobs;
- Identifies areas of risk in executing on the business strategy;
- Provides a clear picture of organizational health and the available pool of talent; and, most importantly,
- Engages business leaders in talent management.

Figure 5: Example of a Talent Plan



Source: Bersin & Associates, 2009.

The Optimal HR Organization to Facilitate Talent Planning and Management

The optimal HR organization design to facilitate talent planning is one that includes the role of the HR business partner working directly with business leaders, providing input into the strategic planning process and creating the talent plans. Through our research, we have found organizations that have already gone through HR transformation efforts are best-suited to support business-driven talent management. These organizations have built centers of excellence or expertise for HR functional areas, have consolidated shared services, and provide increased support for employee and manager self-service.

Most transformation initiatives also call for the redesign or addition of the HR business partner role. In theory, the role of the HR business partner is to support leaders, and help them execute on the people aspects of the business plan and strategy. Yet, in practice, where employee relations issues and ad-hoc requests dominate the workload, it is difficult to accomplish the real purpose of the role. If the “daily fires” are not removed from the role, the HR business partner role is rarely successful.

Figure 6 illustrates key elements of an effective organizational model adopted by many leading organizations today. For talent planning



KEY POINT

There are, of course, other benefits to talent management that are powerful, but difficult to quantify, including:

- Improving the culture;
- Improving communications and transparency;
- and,
- Improving trust.

★ **BEST PRACTICE**

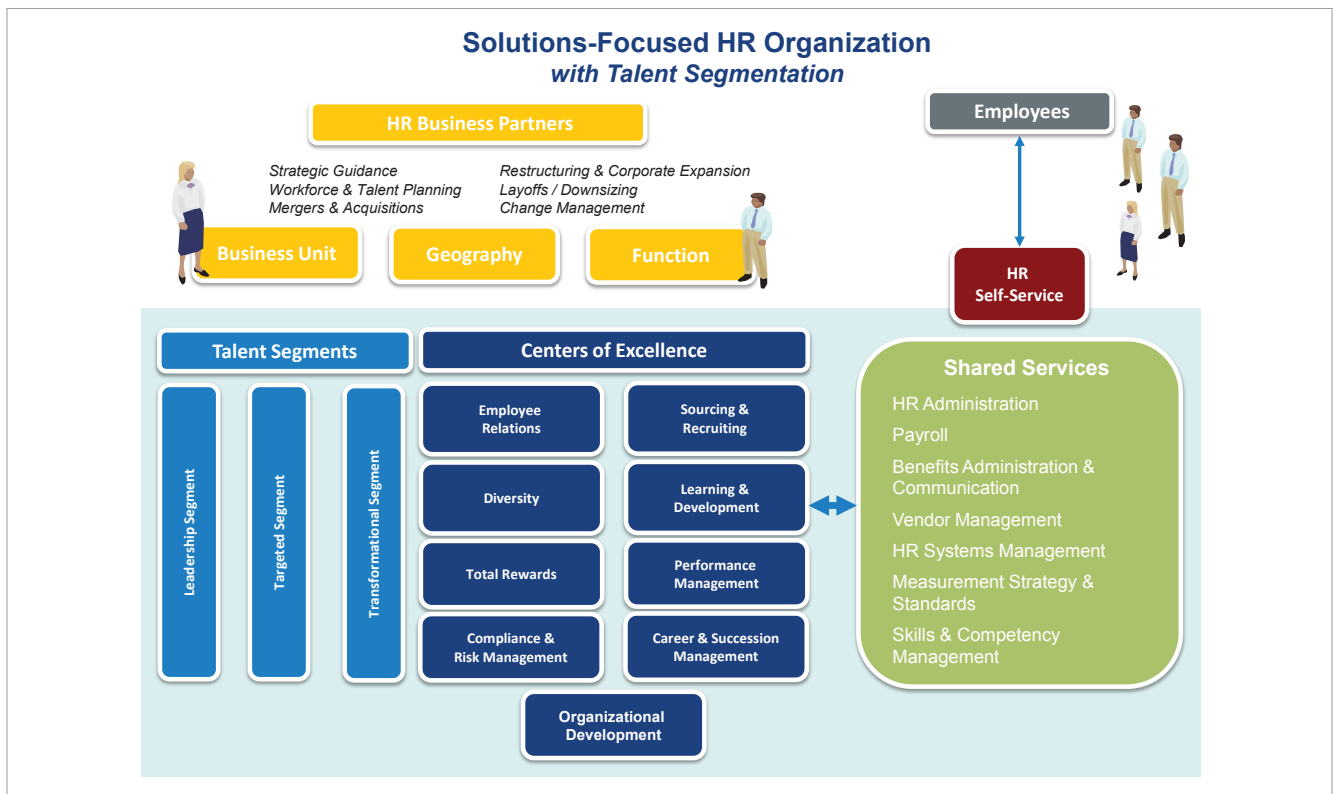
Senior leaders must make a commitment to the talent planning process and the resources necessary to support talent management.

and management efforts, the HR business partner is a pivotal role. But it is only effective when strong relationships and clear processes are established with the HR practitioners in the centers of excellence and with the leaders of talent segments.

Many organizations also establish formal talent segments with dedicated resources to ensure ongoing support for critical talent (such as leaders) or a target role (such as engineers, scientists or nurses). Further, we have interviewed a few organizations, particularly in the high-technology industry, that have established talent segments for the transformational skills and competencies they need to continue to innovate and stay ahead of the competition.

In the model offered in Figure 6, HR business partners work with talent segment leaders and HR practitioners in the functional centers of excellence to design and implement specific and targeted talent initiatives, which are included in the talent plan and executed by the line-of-business leaders and managers.

Figure 6: Modern HR Organization Design



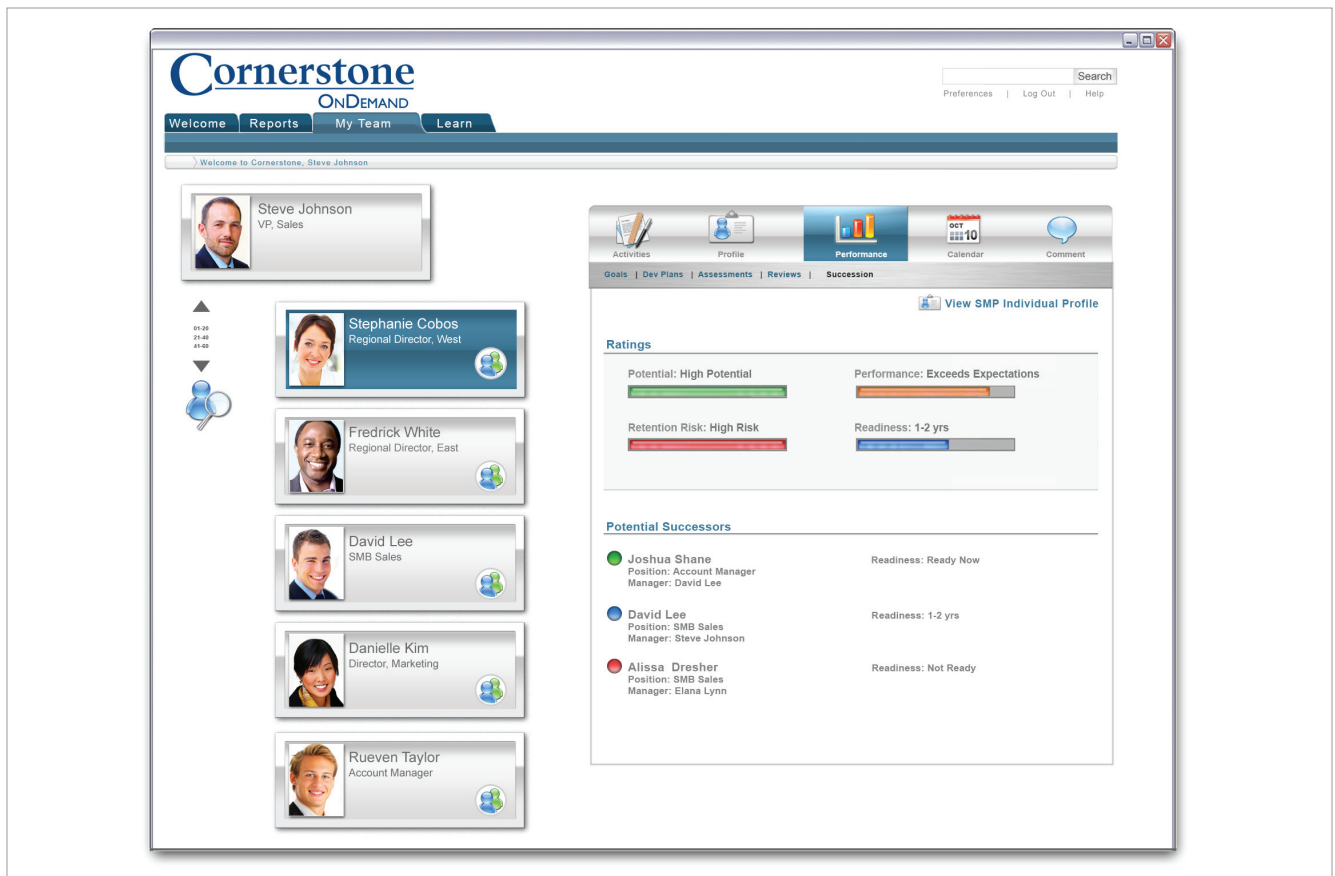
Source: Bersin & Associates, 2009.



The Role of Technology Supporting Talent Management

To support business-driven talent management, HR organizations are beginning to implement integrated HR systems. When strategic HR processes (such as recruiting, performance management, learning and development, and compensation) are viewed as a whole, business managers can more easily spot gaps and make decisions that drive rapid response to talent shortages. For example, when an engineering manager forecasts a gap in critical technical skills to make next year’s product plan, he / she can work with HR business partners to identify the sourcing, compensation and internal development initiatives to build the capacity needed. Figure 7 provides an example of the type of self-service orientation and team-based view available to managers and business leaders with an integrated talent management solution.

Figure 7: Manager’s My Team View



Source: Cornerstone OnDemand, 2008.



KEY POINT

Broad strategy ROI calculations are difficult. Talent planning is a systematic, business-focused process that helps to justify investments, and to measure and communicate impact.

The *Talent Management Experience* research report⁷ provides additional background and insights into the value of integrated talent management solutions.

Communicating Benefits and Return on Investment to Stakeholders

The beauty with the talent planning process is that, when done effectively, talent management investment decisions are made directly by the business leaders. As such, HR no longer needs to engage in developing labor-intensive business cases that “predict” or promise a return on investment (*which are typically regarded with little faith by CFO types, anyway*). Talent gaps and the required talent management strategies are identified and prioritized to support the attainment of the company’s business plan and objectives.

Nevertheless, HR must still ensure that the talent plans are translated into concrete actions and the talent strategies produce tangible business results, which are clearly communicated. The talent measures established for the talent planning process should also be updated with each planning cycle. Moreover, leading companies engaging in talent planning leverage their technology platforms to develop dashboards and scorecards, allowing all parties (e.g., HR, business leaders and line managers) to monitor progress and take any necessary actions at any time.

Conclusion

The development of a talent plan must be a critical part of strategic business planning efforts to ensure alignment of talent management strategies and to focus on what matters most.

⁷ For more information, *The Talent Management Experience Series: New Roles and Expectations for Systems*, Bersin & Associates / Leighanne Levensaler, May 2009. Available to research members at www.bersin.com/library.

