



**Head
Light**

Developing your Talent Management strategy – Part One

part of our White Paper series

The Talent Cloud Platform

Developing Skills. Encouraging Performance. Boosting Recognition.





Contents

About this series of White Papers 3

Why Talent Management is important 3

Impact on business performance..... 3

Impact on employee retention and engagement 4

What is Talent Management - and what does it look like in practice? 5

Talent Management maturity 8

What contribution does Talent Management need to make to your organisation? 10

Looking at organisational and cultural enablers and blockers 13

The importance of feedback 13

Attitude to Talent Management..... 13

Moving forward 13

Coming up..... 14

References and further reading 15

About Head Light 15

About this series of White Papers

Talent is the life blood of an organisation – whatever the industry whatever the sector.

Talent Management means different things to different people. For some it is about identifying the people to succeed those currently in post. For others, it centres on the creation of a pool of people earmarked for the roles of the future. For others still, Talent Management is about looking at the development needs across the entire workforce.

However it is viewed in an organisation, Talent Management must be about understanding the skills and talent your organisation needs to fulfil its plans.

This series of White Papers is designed to help HR leaders to put in place the foundations to do just that – and to take a fresh look at current talent management activities and how these impact the business.

Across the three parts, these White Papers will:

- Examine the key elements of Talent Management;
- Suggest how you can review the current position of your organisation and to understand the role Talent Management needs to play in your business;
- Flag the areas which may 'block' your implementation of Talent Management across the business;
- Consider the role of competencies and values in the development of your Talent Management strategy;
- Provide a guide based on successful good practice and hard lessons learnt across a range of talent management activities;

In Part One, we will begin by looking at the role of an effective Talent Management strategy within an organisation and suggest how you may like to look at the current status of this in your business.

Why Talent Management is important

Talent Management has broadly existed in various forms for many years with organisations using such processes as succession planning and competency frameworks to identify and develop their high potential performers. The term itself was coined in the late 1990s, gaining particular momentum as firms tuned into the fact that having a consistent and focused approach to managing intellectual capital within the organisation would have a positive impact on the business.

Since then White Papers, surveys, reports and articles on the subject abound, each with perhaps a slightly different definition of Talent Management and each taking their own angle, but all with the same consistent message: there are clear bottom-line benefits to having an effective, integrated talent management strategy which is underpinned by the broader business imperatives and this enables current and future success.

Impact on business performance

Various studies have focused on these business benefits and the role of talent management practices and, with the EU backing a legislative initiative to improve the gender balance in the boards of companies listed on stock exchanges, there is a further argument for having a more inclusive and targeted approach to Talent Management.

- Huselid and Becker (1995) researched the HR practices of 740 companies and found that those using High Performance Work Systems (HPWS) or integrated talent management practices had significantly higher levels of organisational performance, measured by an increase in market value per employee.

- McKinsey's *Global Survey* in 2018 highlighted that organisations with effective talent management programmes have a better chance than others at outperforming competitors and outpace their peers' returns to shareholders.
- While there is no 'one-size-fits-all' with regard to effective talent management, McKinsey suggest three common practices that have an 'outsize' impact on organisational performance: rapid allocation of talent, HR fostering employee engagement and a strategically-minded HR team.
- The Institute of Work at Sheffield University conducted a study on manufacturing companies in 2001. Its research demonstrated that people management practices were a better predictor of company performance (productivity and profitability) than strategy, technology or research and development, accounting for 20% of the variation in the financial performance indicators.
- Ernst & Young in its report titled '*Managing Today's Global Workforce: Elevating Talent Management to Improve Business*' found that those companies which effectively manage talent consistently, deliver higher shareholder value. They analysed results from a survey of 340 senior executives conducted in 2009 to assess global talent management practices and evaluate their impact on business. It was found that companies which align Talent Management with business strategy deliver, on average, 20% higher return on equity than those without alignment; those that integrated their talent management programmes delivered 38% greater returns.

Impact on employee retention and engagement

Another strong argument for investing in a coherent Talent Management strategy relate to the strengthening of employee engagement and bolstering employee retention.

- Oladapo (2014) found that organisations recognise the power and strategic value of an effective talent management strategy has on retention rates due to the clarity around job advancement.
- This backed up further by Taylor (2018) who found workers tend to resign and quit jobs unless they are aware of possibilities for professional advancement – and, importantly, have the support to pursue these options.
- Organisations may lower turnover rates by investing in their employees' growth and developing a friendly and inspiring work environment. (Marinako and Giousmpasoglou, 2019)

There is a growing wealth of data which suggests that an engaged workforce leads to a range of organisational performance benefits – and retention of staff.

For instance, the 2009 MacLeod report to Government cited a number of correlates of high engagement levels, many which have been reported by the poll experts Gallup in its studies of engagement.

Among its findings:

- In organisations with strong talent and engagement practices, more employees were likely to recommend the company to others, with 67% of employees in organisations who had strong talent management practices advocating their company versus only 33% of employees in the organisations which did not.
- When comparing business units, those with engagement scores in the bottom quartile averaged 31 – 51% more employee turnover, 51% more inventory shrinkage and 62% more accidents than those in the top quartile. Looking at the same business units, those with engagement scores in the top quartile averaged 18% higher productivity and 12% higher profitability.
- In a study on the earnings per share (EPS) growth of 89 organisations, they found that the EPS growth rate of organisations with engagement scores in the top quartile was 2.6 times that of organisations with below-average engagement scores.

What is Talent Management - and what does it look like in practice?

Most organisations are likely to already be managing talent to some extent – maybe informally, maybe in different areas of the business; ask a manager in the business who she thinks will replace her when she moves on, and she probably already has a fairly good idea of who that will be.

But to be successful and consistent – and to allow the organisation to spot, develop and nurture talent across the whole business – an effective Talent Management strategy will be driven by the context within which the organisation is operating and fully aligned with the business strategy. This strategy will set out and define what the organisation needs to do for and with its people that will enable the business to achieve its goals, to thrive, grow and increase its profitability.

By drawing together, integrating and aligning the talent management activities that are taking place disparately, the organisation will put itself on a path to firstly realise the bottom line benefits of Talent Management and secondly to side step many of the issues associated with the implementation of a collection of interdependent processes, policies and practices.

Talent Management clearly depends on context, but for the purposes of this paper, we are going to view it as:

“A combination of interdependent, integrated and adaptive human resource management practices. Driven by and aligned with the business strategy, collectively these practices ensure that the organisation has the right people, in the right place, at the right time, engaged in achieving optimal, sustainable organisational performance”

The key activities of Talent Management are shown in Figure 1. The list of activities or processes included here is not exhaustive and those you choose to work with will depend specifically on how you decide to define and manage talent within your organisation.

Talent Management Activities



Figure 1: Talent Management Activities



You may benefit if your talent management processes share a common language – that of the organisation's broader business strategy and the competency or capability frameworks you have. This includes the behavioural definitions of what superior performance and potential looks like in the organisation, or within specific job families or roles.

Talent management processes benefit from being closely integrated and dependent upon each other with the 'output' of one forming a key part of the 'input' of another. Each activity is outlined briefly below:

Strategic recruitment; based on workforce planning, analysing organisational capability gaps, identifying key positions, and implementing targeted recruitment programmes to meet talent acquisition needs.

Performance management; based on career management and learning & development, it links individual performance, through the setting of clear performance and development objectives, to organisational strategy and targets. Involves monitoring, reviewing and supporting performance throughout the year to ensure that people are empowered, enabled, motivated and committed to achieving their goals, as well as creating development plans and monitoring progress.

Succession planning; based on workforce planning and learning and development provision. This is top-down, position- and business-driven. Determining key positions for organisational success, growth and survival, creating processes which will identify those with the potential to fill those positions both in the short and long-term and developing those individuals to be effective in the roles.

Learning and development; the provision of formal, informal, structured and unstructured learning opportunities and experiences within and outside of the organisation. Includes leadership development; having flexible programmes, resources and structures in place to develop high performing leaders.

Retention and engagement; employee retention refers to the policies and practices which encourage staff to remain with the company. Often aimed at meeting the different needs, values and interests of employees in order to enhance their job satisfaction and thereby reducing the costs in hiring and training new staff. Engagement can lead to retention, and is often not a result of a set of management practices but a more amorphous concept, driven by a range of areas, including the strength of an organisation's brand, the quality of its managers, the relationships between staff, values and the culture. Engagement is about creating an environment where employees want to connect with their work, where they have an emotional investment in the company and their job and where they really care about doing a good job.

Assessment for development or promotion; this can be a means of providing a talent pipeline for succession planning purposes. There is a strong link to career planning via workforce planning activities to identify those with potential or relevant skills for other roles, establish individual, group or organisational development needs and manage the transitions between different levels in the organisation.

Identifying, managing and developing high potentials; the process by which this is achieved is usually a combination of assessment, performance management, development and succession planning. However, when assessing people for potential, it is critical to use a distinct set of criteria or competencies, which define and set out the early indicators of future high performance.

Career paths and planning; the former should be strategy-driven, identifying routes to developing the skills, experience and knowledge needed for more senior or more complex roles. The latter should be employee-driven, identifying individual career goals, motivations, preferences and interests, linking those, where possible, to business opportunities and providing career development resources.



Workforce planning; drives and enables individual career planning based on organisational needs and business scenarios. Drives the construction of, and sets the priorities for, learning & development provision in line with business strategy and skills gaps.

Talent pools, reviews and mobility; talent pools are cohorts of employees selected for various criteria they share in common. They may be graduates or High Potentials (HiPos) on a fast-track programme, they may be employees who have been identified as successors to a particular role, or they may be individuals who share a particular interest, skill-set or expertise. Talent pools are often the first port of call when internal opportunities arise. Talent reviews are the processes by which the business needs of the organisation, or of a specific business area, are mapped against the capacity, capability and potential of the people within it. It is also often the mechanism by which HiPos are identified and filtered into the organisations accelerated promotion or development programmes. Both of these talent management elements support talent mobility by helping an organisation to understand and manage the migration of talent between functions, divisions and locations.

These all require support by appropriate systems and metrics. For instance, where do you keep your talent management information? How is this information used, by whom, and how it is kept up to date? Who owns this information?

We will look at some of these talent management activities in Parts Two and Three of this series of White Papers.

At this point, however, it is useful to start thinking about how, in your organisation, do all of these processes link together. Who is responsible for managing them? How do these processes support each other? Where do they fall short? What could you do to integrate these processes more closely for better results?

Talent Management maturity

The foundations of Talent Management that underpin the talent management activities mentioned earlier are often formed by a combination of resources, including role profiles, HR databases, training and development provisions, internal/external coaches and mentors, executive search functions and the data kept and maintained in a responsible manner (in line with Data Protection laws, for instance). Most importantly, your biggest resource (your managers and leaders) are a key part of these activities and their engagement will shape the effectiveness of these activities.

Let's consider some examples. How might talent management activities be implemented in three different types of organisations?

A large, multinational financial services organisation employing 30,000 people:

Talent Management here is dominated by developing and bringing in the brightest, freshest talent. Identifying and nurturing the next tranche of high performers is the central aim, with graduate recruitment programmes, targeted assessment for key roles and comprehensive training, development and job rotation activities in order to get high potentials up to high performer status.

Mobility is also important; operating globally, this organisation needs to identify its global leaders of tomorrow, those with the potential to successfully lead operations in one or any of its many overseas businesses. A balance is sought between sourcing talent locally, and expatriating leaders from headquarters.

A small local authority employing 350 people:

Significant budget cuts have had a severe impact on recruitment and development activities. The organisation is in a constant state of change and everyone is being asked to 'do more with less'. The HR department have held a series of discussions with the senior management team to identify which roles are mission-critical and are in the process of using 360-degree feedback and performance management information to identify potential successors to these roles.

They have created an internal 'talent pool' which consists of those who constantly exceed expectations and perform at a higher than average level. The talent pool cohort meets on a regular basis with the aims of sharing learning and experience, brainstorming issues and problems, co-coaching each other and carrying out specific organisational projects. Where possible, key positions are filled from within the talent pool.

A small, family owned business which buys and distributes wine from the continent:

Turnover tends to be low; there is little churn, particularly at senior levels. The HR department consists of one person and the organisation is just starting to think about how it is going to survive the impending retirement of the founder/MD. They have conducted research and developed a competency framework and are aligning their recruitment of sales and administrative roles in line with this. The challenge is now to identify potential successors from within and outside the business to the top three roles. The HR partner is drawing up role profiles for all jobs, incorporating aspects of the new competency framework.

They have engaged the support of a small local consultancy to help them run a series of development centres to help identify any potential future managers and they are putting in place a series of short management skills workshops. They are also considering a job shadowing programme, where people at all levels will be accompanying the MD on his trips to Europe.

Knowledge management is an issue; the MD is the one who has built and maintained the majority of the client relationships and who also has in-depth understanding of the wine buying process. The HR partner is now focusing on distilling this knowledge and ensuring that others can continue to grow the company.

At this time, it may be worthwhile assessing your organisation in terms of its Talent Management maturity by asking yourself some questions:

1. How does your organisation currently fill key positions?
2. How successful are your recruitment efforts?
3. Do you have a company-specific, up-to-date competency framework?
4. If you have a competency framework, how do you know it does what it needs to do?
5. Do you know who will take over key positions once they become vacant?
6. How well aligned is your performance management process to the strategic aims and plans of the organisation?
7. How often do people get feedback within the organisation, and what is the quality of the feedback they get?
8. How do people get promoted? Are there consistent, fair and transparent processes in place to support movement within and upwards in the company?
9. Who are the best people in your organisation?
10. What are you doing to keep these individuals?

Using this information, you can now locate the position of your organisation on the chart in Figure 2.

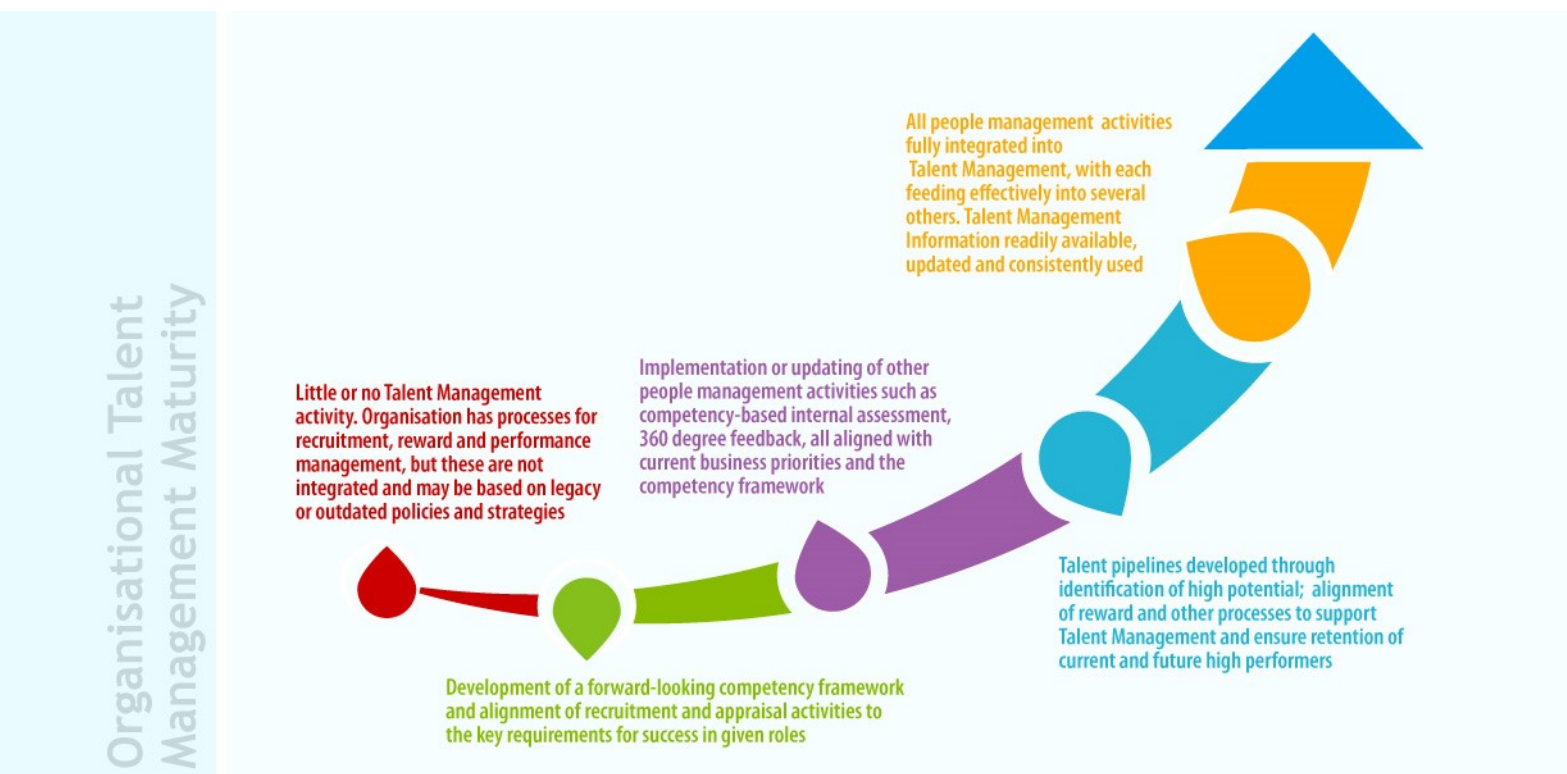


Figure 2: Organisational Talent Management Maturity



What contribution does Talent Management need to make to your organisation?

One of the early steps in developing a Talent Management strategy is to define what ‘talent’ means to you and as well as what your organisation needs to do to manage it effectively. Culture, context, strategy, business challenges and environment all play a part in shaping the response and activities from the HR and Learning & Development teams. Engage your business leaders and ask some questions:

Question: What are the current and anticipated strategic and operational challenges that you need Talent Management to support? Do you need to nurture creativity and innovation to drive product development to keep ahead of your competitors? Or do you need to keep costs down and increase profit margins? Do you need to maximise productivity among your existing workforce in the light of a recruitment freeze?

Answer: Firmly ground your Talent Management strategy in addressing these issues and this will determine where you focus your attention and resources. It will also keep the business onside and prevent it from becoming perceived as an HR ‘pet project’. Review it on a regular basis to refocus efforts when the strategy changes and maintain its flexibility. The framework provided in Figure 3 can help you to work through some of these questions and establish your talent management priorities. We have outlined the key steps and provided a worked example.

Question: What defines ‘talent’? What does talent look like in your organisation? This needs to be driven by the business – what talent does the business already have, what do they do, and what do they need more of? When you describe the characteristics of talent, what are you talking about? Skills, knowledge, attitude, cognitive ability, experience, potential, values, preferences or a combination of all of these?

Answer: Your competency framework is a basic foundation to describe what talent is. If it’s not understood and recognised by the business as such then there is work to be done here before you can move on.

Question: Where is the talent in your organisation? Whom do you consider to be talent? Does talent refer to all employees, regardless of position, level or specialism? Or are you referring to the top team and its successors? Do you view talent to be those who have the potential for quick progression or to be future leaders? Or is your talent the technical expert, knowledge worker, creative, or top sales person?

Answer: Chris Bones, cited in Warren, 2006, argues the need for a ‘whole workforce’ approach because “...an inclusive Talent Management Strategy is a competitive necessity”. It is also worth remembering that a common pitfall associated with talent management activities is failing to manage morale/motivation for those not on the high performance radar. Consider what to put in to support and develop those that might not be talent now but could in the future. In addition, the economic crisis resulted in a shift in focus for many talent management efforts. Organisations became increasingly aware of the need for resource efficiency, and of the need to genuinely optimise individual performance. Firms became less tactical in their talent management practices and more strategic, and increasingly less focused on just the top tiers. More companies are seeing the need to view all employees as talent, potentially even contractors and suppliers, in an effort to engage everyone in achieving positive outcomes and creating a sustainable pipeline of future leaders.

Question: What are you already doing?

Answer: Conduct an audit of the current HR and Learning & Development activities and see what it reveals.



Question: Who do you need to engage in this process? The top team, HR and Learning & Development teams, obviously, but what about Sales and Marketing?

Answer: If Talent Management is 'everyone's business' then they must contribute to the talent management processes. If not, why not? Do you manage your employer brand and does this align with your product brand or sales strategy?

The outputs of these discussions provide an invaluable foundation for Talent Management: what does it need to do, who will it be aimed at and how can you build on what you're already doing?

For many organisations, the next step is to establish and define organisational values, followed by the development of a competency framework. The latter provides a means of measuring how successfully staff 'live' the values, a basis for the design of other talent management activities and the means to evaluate the success and impact of subsequent endeavours.

We shall explore the role of organisational values and the competency framework as part of Talent Management in Part Two of this series, but for now, we'll take a look at some of the stumbling blocks to embedding effective talent management processes.

Determining Priorities And Drivers



Figure 3: Determining Priorities and Drivers

Looking at organisational and cultural enablers and blockers

The importance of feedback

Within any Talent Management strategy, the provision of feedback is a central theme, and it is a common pitfall to have effective talent management processes in place with not enough attention paid to the feedback skills of managers to support them.

Effective feedback from the line is essential; if the messages delivered through assessment centres, 360 reviews and development programmes are not supported and followed up by line managers, then the return on your investment will be undermined.

A good starting point for assessing the current role of feedback in your organisation is to examine the organisational culture and ask:

1. How often, and from whom, does the CEO/MD receive open, honest and direct feedback?
2. Are people encouraged to be really honest when giving feedback?
3. What happens to people who provide constructive feedback to their manager?
4. Does the appraisal process encourage a two-way flow of feedback?
5. Where does the senior team get information regarding its effectiveness?
6. Is peer to peer feedback encouraged? Does it happen?
7. How much informal feedback do people get from each other?
8. Do we regularly collect both qualitative and quantitative feedback from our customers, clients, or people who use our services?
9. What do we do with such feedback when we get it?
10. What training and support do our managers receive when they become managers? Are they trained specifically in the skills of giving feedback?
11. Does our culture support 'upward challenge'?
12. What forums are there for people to share their thoughts and views on how the senior team is performing, or on what's happening in the organisation?

Attitude to Talent Management

Another potential 'blocker' is the prevailing attitude towards line management responsibilities; Talent Management requires significant engagement and contribution from this population, but if 'management' is something your specialists do when they're not 'doing the day job', then you are likely to find it difficult to embed talent management practices in the organisation.

Consider what value is attached to existing talent management processes, such as performance management, talent reviews or career planning? If your managers and leaders do not see the benefits of these practices, what can you do to create a business case which will convince them? Some of the research findings outlined earlier in this White Paper might help you build a stronger argument.

Moving forward

It may be that some organisational design or culture-change work is needed in order to affect some culture shift; it is difficult to fly in the face of the prevailing ethos and offer open and honest feedback to your manager if it's not the done thing!



Coming up

In Part Two of this series, we will talk in more detail about one of the key factors underpinning talent strategy structures; the competency framework based on organisational values. We will describe typical approaches to help you get started and highlight some of the common difficulties and pitfalls before looking at some of the fundamental talent management processes – recruitment, assessment for promotion and performance management. In Part Three, we will build on this by looking at some of the more advanced talent management activities including identifying leadership potential.



References and further reading

- Cameron, K. (2008). *Positive Leadership*. Berrett-Koehler Publishers, Inc. San Francisco.
- The Chartered Institute of Personnel and Development. Annual Survey Report 2009. Recruitment, Retention and Turnover.
- Coens, T. and Jenkins, M. (2002). *Abolishing Performance Appraisals: Why they backfire and what to do instead*. Berrett Koehler.
- Covey, S. (1990). *The Seven Habits of Highly Effective People*. Simon & Schuster Ltd.
- Dulewicz, V. and Higgs, M. (2000). Emotional Intelligence: a Review and Evaluation Study. *Journal of Management Psychology* 15(4): 241-72.
- Huselid, M. and Becker, B., (1995). High Performance Work Systems and Organisational Performance. Paper presented at the 1995 Academy of Management annual conference, Vancouver, B. C.
- Gallup Organisation (2006). 'Engagement predicts earnings per share'.
- McCall, M.W. Jr, Spreitzer, G. and Mahoney, J., (1994). *Identifying Leadership Potential in Future International Executives; a Learning Resource Guide*. Lexington MA: International Consortium for Executive Development Research.
- Macleod, David; Clarke, Nita, (2009). *Engaging for success: enhancing performance through employee engagement, a report to government*, London, United Kingdom.
- Marinakou, E., & Giousmpasoglou, C. (2019). Talent management and retention strategies in luxury hotels: evidence from four countries. *International Journal of Contemporary Hospitality Management*, 31(10), 3855-3878
- McKinsey. (2018). *Winning with your talent management strategy*.
- Oladapo, V. (2014). The Impact of Talent Management on Retention. *Journal of Business Studies Quarterly*, 5(3).
- Spencer, L.M. and Spencer, S.M., (1993). *Competence at Work*. John Wiley & Sons. New York.
- Taylor, S. (2018). *Resourcing and talent management*. Kogan Page Publishers.
- Verschoor, C. (1998). A Study of the Link Between a Corporation's Financial Performance and Its Commitment to Ethics. *Journal of Business Ethics*. Vol. 17, No.13.
- Verschoor, C., (2003). Ethical corporations are still more profitable. *Strategic Finance*.
- Warren, C. (2006). Curtain Call. *People Management*. Vol 12, No 6, 23 March. P24-29.

About Head Light

Head Light is an award-winning talent management and talent retention software and consulting firm that works with clients to define and implement impactful talent management strategies.

Talent Cloud® is our cloud-based portfolio of integrated talent management platform tools designed for those who expect the maximum return from talent management processes. Our training and consulting services uniquely complement our platform that engages employees, managers and senior leaders in the selection, development, and progression of people in their businesses.

Companies in the FTSE 350, public sector, large and small, from retailers to high tech innovators have all benefitted from our tools, techniques and expertise.

Founded in 2004, we are headquartered in the UK.





Head Light has attained the ISO27001 standard for Information Security. Certificate No 217613.



How do I...

transition to Continuous Performance Management

How do I...

introduce robust Succession Planning

How do I...

spot High Potentials and Future Leaders

How do I...

boost Recognition

How do I...

drive Engagement through Career Conversations and Development

How do I...

embed new values and improve culture

How do I...

develop Skills of the Future

E: info.request@head-light.co.uk

W: www.head-light.co.uk