

Talent Management Defined: Is It a Buzzword or a Major Breakthrough?

By Dr. John Sullivan

HR professionals are notorious for latching on to and spreading new buzzwords and fads that more often than not have an extremely short shelf life. Whether it's "human capital management," "emotional intelligence" or "employee engagement," one has to wonder whether these "hot" terms are just inventions by academics and consultants or whether they are real breakthroughs worthy of serious examination. One such term that is currently gaining notoriety is "talent management."

After studying how different firms have approached this concept, I've come to the conclusion that there is real substance behind it. The approach I am outlining here is similar to the concept I adopted when I served as Chief Talent Officer for Agilent Technologies. However, while examining how companies and consultants "operationalize" the talent management strategy, I have also found that although numerous people are using the term, very few actually understand what it really means and what differentiates it from traditional recruiting. If you're one of the many that is confused by the broad usage of the term, I think you'll find that this article will clarify the key elements that make it unique.

Talent Management Defined

Talent management is the integrated process of ensuring that an organization has a continuous supply of highly productive individuals in the right job, at the right time. Rather than a one-time event, talent management is a continuous process that plans talent needs, builds an image to attract the very best, ensures that new hires are immediately productive, helps to retain the very best, and facilitates the continuous movement of talent to where it can have the most impact within the organization.

The goal of the talent management process is to increase overall workforce productivity through the improved attraction, retention, and utilization of talent. The talent management strategy is superior not just because it focuses on productivity, but also because it is forward looking and proactive, which means that the organization is continuously seeking out talent and opportunities to better utilize that talent. It produces excellent results because it overcomes the major problem of traditional recruiting, which is isolation. It instead integrates the previously independent functions of recruiting, retention, workforce planning, employment branding, metrics, orientation and redeployment into a seamless process.

The Key Success Factor of Talent Management

Before going into any detail about talent management, it's important to take a step back and look at where it fits into the larger role of HR and the business.

Start with the operation of the HR department. Most HR departments operate using a functional model where every HR unit operates on a relatively independent basis. Other than HR generalists, every HR unit has independent goals, measures, and budgets. For example, there is little or no integration in the traditional recruiting function between its recruiting programs and the activities of other HR functions like development, compensation, and retention. Although this traditional separation provides the recruiting function with the opportunity to focus on its own specialty area, it can limit the impact of recruiting efforts by not meeting the expectation or needs of other people management and business processes and programs.

Some have tolerated the problems related to this independence, while other organizations have instead implemented an overall HR strategy that integrates the different HR functions. This integrated strategy has become known as talent management – or in some cases the term "workforce management" is used. The reader should be aware that many in the field of HR use (or misuse) these terms, sometimes attaching them to approaches that in fact offer no real change in their approach to HR. Fortunately, some have used the principles of talent management to create a unified approach to people management that produces significantly higher business results.

Primary Principles of Talent Management

The four primary factors that make the talent management approach unique include:

1. An integrated approach within HR. Talent management formally integrates people management programs and functions so that they work as a continuous process.
2. Integrating people processes into standard business processes. Talent management goes the next step and further repositions people management programs and processes into the company's standard business processes, such as the corporate strategic planning process, budgeting, mergers, and new product development.
3. Shifting responsibility to managers. Talent management pushes the accountability and the responsibility for executing people management down to the line management levels.
4. Measuring success with productivity. Talent management shifts the success measures from the more traditional HR and recruiting functional metrics towards measuring the overall productivity of the workforce.

An Integrated Approach Within HR

The first unique element of workforce management is the integration of disparate HR functions. Workforce management differs from the traditional approach to HR where individual HR functions operate independently.

For example, look at the relationship (or lack thereof) between recruiting and compensation. Even though the amount of total compensation that is actually offered to candidates might have a huge impact on recruiting success (especially if the compensation is too low), in most organizations there is little or no interaction between the separate functions of compensation and recruiting. Because compensation has no "stake" in recruiting, there's no reason for them to speed up their offers or to make them more competitive.

A similarly weak relationship exists between recruiting and retention. Even though the types of people that you recruit, the sources that you use, and the promises you make during the selection process have a tremendous impact on retention rates, there is traditionally no relationship between the recruiting function and retention function within HR.

Talent management takes a broader and more strategic approach because it demands that independent HR efforts be integrated through common goals, metrics, and rewards. This makes "handoffs" in processes more seamless and increases the overall quality of recruiting, retention, and workforce planning efforts.

Integrating People Processes Into Standard Business Processes

The second key element of the talent management focuses on embedding talent management into traditional business processes. Talent management starts with the premise that managing

talent is an essential part of any business's success, where it is considered at least as important as budgeting, quality control, and customer service. Talent management integrates traditional talent-related functions that were considered as "administrative" functions into routine business processes.

By "embedding" people management processes into standard business processes you force line managers to think of recruiting, retention, development, etc. as essential activities that make a significant contribution to any manager's business results and success. By eliminating the premise that recruiting and retention efforts are "occasional" events, you get managers to begin to think that people management activities are not separate and distinct things that you do on an occasional basis, but rather continuous activities that must be carried out every day on an ongoing basis.

Shifting Responsibility to Managers

The third element of workforce management is getting managers to accept responsibility for developing and maintaining excellence in people management. A talent management strategy teaches individual managers that their goals of increasing productivity, output, cutting costs, etc. are not independent from recruiting, retention, and development efforts. The talent management process provides managers with a convincing business case that demonstrates how their individual success is tied to the continuous process of recruiting, retaining, moving and developing talent.

Once managers begin to realize that they cannot reach their output goals without effective talent management/people processes, they then commit more of their own time and resources into the recruiting, development, and retention of their talent.

Measuring Success With Productivity

The final differentiator between talent management and standard HR is how the success of people management is measured. While most HR functions measure their success with functional metrics like number of hires, number of development programs offered, and customer satisfaction, talent management instead measures its success by assessing its overall business impact. Business impact in this case is measured by the overall increase in the productivity of the workforce (employees) at a particular firm. In other words, you don't improve development, recruiting, or retention just to improve them; instead you improve these people processes in order to increase the output of your workers.

The ultimate measure of effective talent management is the change in the return on investment for people management as measured by the ratio between dollars spent on employees (total employee costs) and the dollar value of the employees output (output value or revenue).

Other Key Elements of Talent Management

In addition to the four above elements of talent management, there are some other factors that help define how talent management differs from traditional recruiting. They include:

- A focus on high impact positions. A talent management strategy requires managers and HR to determine which jobs, when filled with top talent, have the largest impact on a firm's success.
- Accountability. Talent management assigns responsibility for managing the talent inventory to the chief talent officer, who is responsible for results, not effort.

- Rewards and metrics. Talent management builds cooperation and integration between previously independent efforts through its heavy use of common goals, metrics and rewards. As a result, no independent function can be considered successful unless the overall talent management effort is also successful.
- Balanced metrics. Talent management gets managers' attention by instituting a system of measures and rewards that ensures every manager is recognized and rewarded for excellence in people management (high workforce productivity). It simultaneously measures employee engagement to ensure that managers reach their productivity goals while using the appropriate management behaviors (two-way communications, empowerment, meritocracy, etc.).
- Business approach. The talent management strategy is not derived from an overhead or administration model. It is developed from and mirrors other successful business process models, like supply chain management, finance, and lean manufacturing.
- Recognition of the business cycle. The talent management approach involves recognizing that different types of talent are required depending on changing business situations. As a result, talent management requires the continuous internal movement of talent in and out of jobs and business units based on current business needs and where the company is in its business cycle.
- Truly global. Talent managements encourages finding, retaining, and developing the best talent no matter where it is. It also stresses putting the work where the best talent is.
- Focus on service. Seamless service is the expectation of talent management. Customer satisfaction, process speed, quality, and responsiveness are continually measured.
- Anticipation. While traditional recruiting and retention tend to be reactive, talent management is forward looking. It forecasts and alerts managers about upcoming problems and opportunities. It encourages managers to act before the need arises in talent management issues.

Benchmark Firms

Firms that have been recognized for their broader and more strategic approach to talent management include:

- Microsoft
- GE
- Pepsi
- Wachovia
- Intel
- Wal-Mart
- Dell
- Southwest Airlines
- SAS

The Essential Pieces of Talent Management

The various elements of the talent management process that must be integrated and work as a single unified process are listed below. Talent management elements 2 through 5 are the more traditional recruiting areas that are now integrated into the overall talent management process:

1. Workforce planning to project future needs and to prioritize key jobs and skills
2. Sourcing of candidates
3. Screening of candidates

4. Offers to candidates
5. Relocation
6. Orientation at the corporate level and at the supervisor level
7. Initial development
8. Improving time to productivity for new hires
9. New hire failure assessment (for those that are terminated within one year of hire)
10. Employee development to continually improve skills and capabilities
11. Leadership development to fill the management pipeline
12. Project and team assignments for development purposes
13. Succession planning to identify and speed up the development of future leaders
14. Internal movement of individuals (voluntary and non-voluntary) to fill individual vacancies
15. Redeployment of groups and teams into higher impact business units
16. Outsourcing and offshoring to reduce labor costs
17. Replacement plans (in the case of a sudden vacancy)
18. Retention
19. Metrics for measuring the effectiveness of the workforce management process
20. A "feedback" loop to improve the overall workforce management process as a result of successes and failures
21. Branding and external image-building (ensuring a steady supply of qualified candidates for future needs)
22. Revised forecasts of future needs and supply
23. Retirement planning (voluntary and encouraged)
24. Releasing non-productive new hires or surplus workers (firing, layoffs, and other workforce reduction tools)

Conclusion

The HR department is often a very traditional function that is slow to change. HR professionals seem to like their independence and they often loathe working closely with generalists, compensation, or development professionals.

But companies like Wal-Mart that have championed integrated processes like supply chain management have demonstrated the dramatic impact that coordination and integration can have on company's success and profitability. A successful talent management process starts with the foundation built by supply chain management, Six Sigma, CRM, and lean manufacturing, and adapts it to HR.

Unfortunately, its strength and integration are also the primary roadblock within HR — because getting HR people to coordinate their efforts is about as easy as herding cats.

Dr. John Sullivan is a well-known thought leader in HR. He is a frequent speaker and advisor to Fortune 500 and Silicon Valley firms. Formerly the chief talent officer for Agilent Technologies (the 43,000-employee HP spin-off), he is now professor and head of the HR program at San Francisco State University. He was called the "Michael Jordan of Hiring" by Fast Company magazine.