Chapter 1

The case for talent

Executive summary

- *People are not capital, assets or resources; they are people. People design, make and deliver; they develop intellectual property and create wealth.*

- *If you make your people before you make your products, your people will satisfy your customers, which in turn will make your company profitable. This in turn will increase the value for your shareholders and provide money to invest for growth.*

- *An engaged workforce will be active participants in achieving the organization's objectives.*

- *An organizational culture that recognizes the value of allowing talented people at all levels to flourish with abundance can be uniquely differentiating.*

- *The attraction, development and retention of the talented people in the right place, at the right time and with the right skills should be the priorities for all organizations.*

- *The choice between either inclusive or exclusive definitions of talent as extremes on a continuum looks increasingly anachronistic. Instead, organizations will try to adopt both positions simultaneously. Everyone has talent.*

- *Balancing the outcomes of the organization's global talent needs against (sometimes competing) local requirements is a challenge for most global organizations.*

- *Talent management may require a shift in the corporate mindset. People will be on a par with new product development, the creation of new distribution outlets or clever financial engineering in the list of the company's priorities.*

Treat your employees like customers

People are not capital, assets or resources; they are people. People design, make and deliver; they develop intellectual property (IP) and create wealth.

If engaged, they will be active participants in achieving the organization's objectives. That is why Facebook, with its ability to attract talent; Apple and Google, with their ability to give talented people full rein to their creativity; and more recently Yahoo, whose acquisition of Tumblr and hiring savvy developers has turned the 'former also ran into the most talked about company in Silicon Valley' (Fast Company, 2013), focus so much on their people. But it isn't just in the technology sector on the West Coast of America where talent is the competitive differentiator. The Best Practice Institute cites both the Internal Revenue Service and Avon (Goldsmith and Carter, 2010), whilst the names of Lenovo, headquartered in China; Singapore Airlines; BASF, headquartered in Germany; Tesco, of the UK; and HCL, based in India with its 'employees first' philosophy, resonate with students of talent management and its practice.

The attraction, development and retention of the right people, in the right place, at the right time and with the right skills, are priorities for all organizations. Ninety per cent of corporate leaders regard effective people development as of the highest importance and 70% spend more than

20% of their time on talent management (Scullion and Collings, 2011). 'I see my role as the chief talent officer of the company', stated the Procter & Gamble CEO, (Donlon, 2012), a viewpoint that is gaining traction.

For successful organizations, people management is a core business activity that is about delivering short-term operational needs and securing long-term prosperity. The attraction and retention of talent is an important part of this. At its best, effective talent management will lead to the creation of an environment in which potential will be fulfilled, individual contribution maximized and the workforce fully engaged with the direction and strategy of the organization. People can be the key source of competitive advantage. For many they are the only source of competitive advantage.

The classic approach to talent management

Hence, organizations will align people strategy and business strategy, and will seek to create practices designed to engage and motivate the workforce.

There are many ways to do so. But whilst there is greater choice, diversity and opportunity in the modern organization, there is also greater complexity (Sohota, 2013). So, to provide coherence, large and geographically dispersed workforces will be divided into segments or groupings with common identifiable characteristics. The workforce could be segmented by country or region, by job role (engineers, salespeople or finance professionals), job title (officers, managers or directors), organizational levels or grades based on hierarchical positions or the types of skill needed.

Each of these will provide the basis for policies within the overall people approach of the organization, which will be designed to ensure equity within groups and differentiation between them. Benchmarking is used for national or international competitiveness in such things as reward or training investment.

In turn, the workforce segments will require a supply of people who are able to fill leadership roles: executive, managerial or specialist positions. Such roles will range from chief executive to managing director,

country manager, or functional directors in marketing, finance or production. This group of talented people will be selected using the two criteria of performance and potential. They are the ones covered by the classic definition of talent. They will feature in talent pools or in succession plans and will receive additional development, executive coaching or leadership programmes to ensure that they have the knowledge and skills not only for their current jobs, but also for those one or two levels above – those of strategic importance or those based on new projects.

Over the past 20 years there have been significant shortages of people within this exclusive definition of talent at various times, but particularly at the peak of the economic boom. Extremely tight labour markets meant that issues about 'top talent' were high on the corporate agenda.

Extending the reach beyond the 'C Suite'

However, the spotlight shone even brighter on talent and talent management when it became clear that talent shortages were not only at executive or managerial level but also throughout the organization. To deal with this new reality, talent managers extended their reach, bringing in new tools and techniques for a wider audience. The definition of talent initially grew to encompass those with high potential and certain specialisms within the organization, such as technology or marketing, then even further to incorporate scarce skills wherever these were to be found in the organization and at whatever level.

This extension in scope wasn't straightforward. The lack of a common definition of talent led to debates about the differences between talent management and people or HR management. There was duplication, lack of clarity and sometimes conflicts of interest between those with talent responsibilities, learning and development and HR generalists. Furthermore, each organization realized that its own perspective and definition were influenced by a multitude of factors, including history, culture, the strength of feeling about talent on the part of the CEO and the skills within the HR function to deal with the subject.

The upshot was that one talent definition did not fit all and a consistent approach to talent strategy was hard to find and even harder to achieve.

Subsequently, there have been efforts to gain consistency through benchmarking and knowledge sharing and a greater emphasis on measures of success of talent management initiatives. But this remains an ongoing process.

Whilst there may have been disagreement about how far the definition of talent should stretch, there was agreement that talented people were a scarce and valuable group that could be the difference between success and failure and therefore worthy of special attention on the part of the organization's senior executives. And so the acquisition and management of talent, however defined, has become a strategic priority.

For many, there is the belief that if you take care of the people they will take care of the future (Peters, 2013).

If you make your people before you make your products, your people will satisfy your customers, which in turn will make your company profitable, which in turn will increase the value for your shareholders and provide money to invest for growth.

Does everyone have talent?

In some organizations, an inclusive approach is taken whereby all employees are assumed to have talent. In this case, the organization will encourage employees to go beyond their normal roles or objectives and will provide the means to progress to new opportunities. But more than this, the stock talent assessment criteria of performance and potential will be supplemented by attitudinal factors. Novartis, the Swiss pharmaceutical company, for example, looks at whether an individual's key values and behaviours are aligned with those of the company (Stahl *et al.*, 2012). Talent management processes are there to facilitate the contribution and opportunity over and above what is normally expected. In such an organization the challenge is to engage the employees to apply their talents to maximum effect, to offer discretionary effort over and above that required through standard performance management measures.

A more common definition of talent is one that focuses on a limited number of 'key' people. This definition is based on exclusivity and will look to make sure that there is a pipeline to fill share price influencing positions such as the chief executive or those who are being developed to take on senior positions through succession management, or graduates and high potentials. Often fast trackers will be identified as being able to move two more levels up the organizational hierarchy. This approach is one exemplified by General Electric's 'vitality curve', which differentiates between the top 20%, the middle 70% and the bottom 10% (Stahl *et al.*, 2012).

Career Development Conversations at Jerónimo Martins

Jerónimo Martins is a Portugal-based international group operating in the Food Distribution, Food Manufacturing and Services sectors; with operations in Portugal, Poland and Colombia. The group has over 69 000 employees and annual sales of nearly €11 billion.

The Management Trainee Programme recruits high potential graduates for senior management roles through accelerated career paths. The company has developed a 12-month structured approach of which a key element is a series of development meetings to stimulate reflection on career goals and what is needed to achieve them, turning a career development process into a true dialogue.

The process starts with individual meetings that are held during the first week in the company so as to have an initial reflection on motivation and future career aspirations, followed by general business training.

As trainees get to know the various areas and functions of the business, additional conversations take place to understand career preferences and the associated motivations. Shortly before the final decision on their placement for Individual Functional Training, a further meeting is held. This is intended to discuss options, see how these fit individual preferences and explain the long-term development alternatives (career paths) that the organization believes will best leverage the trainee's potential.

(continued)

While in their functional training, the trainees' performance is evaluated with regard to future development. The trainees are asked to provide an input on their career vision, especially if it has altered.

A third meeting then takes place before the final assignment of the trainee to a function. As the trainees are in the company for about 10 months at this point, and thus have quite a good understanding of the company's structure and existing career paths, they are encouraged to speak about where they would like to be in the long term, and then reflect on what the different professional experiences (rotations) are that would prepare them for that role. The trainees are advised to be ambitious but at the same time realistic in their planning.

Even though all trainees then graduate from the programme, the meetings do not end. Each of the programme graduates attends a follow-up meeting in their second and third year in the company. During these meetings, reflection is made on the work they have been doing, focusing on how it contributes to their development and the plans that had been agreed on when they were graduating from the programme. Trainees talk about their performance, development of relevant competences and are asked to evaluate the overall experience and progress as they see it with regard to expectations that were raised in the course of the recruitment process, the programme and after it.

Career development advice is given, turning the process into an internal career counselling tool not only allowing HR to stay connected with the development of the trainees but also helping the trainees to navigate through the complexity of career development in a large organization.

Wojciech Zytkowiak, Jerónimo Martins Group, Human Resources

The top performers are candidates for programmes to prepare them for positions of greater seniority than those they occupy at the moment.

In the above examples, either dedicated talent managers take on responsibility for developing specific talent programmes or talent management activity is integrated within the people or HR organization.

Talent 4.0: The new now

The multi-generational, diverse and global nature of the modern work-force means that the choice between either inclusive or exclusive as extremes on a talent continuum looks increasingly anachronistic. Instead, organizations will try to adopt both positions simultaneously. This means having policies and practices that maximize the development of all employees whilst at the same time ensuring that there are enough people developed specifically for senior management or technical roles. Talent is becoming a non-hierarchical concept.

Whereas the preparation of succession plans might have been consid-ered as Talent 1.0, the attraction of high-flying CEOs as Talent 2.0 and the focus on graduates, high potentials and specialists as Talent 3.0, the new now of maximizing the potential of a multi-generational, multi-cultural, cross-organizational, inclusive talent workforce is Talent 4.0.

Some organizations go significantly further than the standard lan-guage of employee engagement or talent management and have begun to put employees first, customers second (as exemplified by Vineet Nayar, CEO of HCL) or treat their employees with the same care and considera-tion as they would their customers. Furthermore, encouraging a culture of cooperation between talented teams, rather than competing for a few plum positions, can pay off handsomely, as shown at Microsoft where CEO Steve Ballmer made sure that 'the product groups work together instead of operating as talent-hoarding fiefdoms. As a result, Microsoft arguably now has the best product lineup in its history' (Vance, 2012). Creating an environment where people can deliver to their full potential, and making people at every level before making product, is an attractive option.

Enriching lives, rewarding achievement and delivering full potential are no longer objectives drawn out of left-field management texts but ones that are realistic and desirable. Authenticity and meaning are two of the characteristics of great organizations (Churchard, 2013). Indeed, for some, such as Volvo, 'talking about purpose, as well as performance; communi-cating a clear sense of where the organisation is heading and how it will

get there' in a way that is meaningful for all are built into the people strategy (Glover, 2012). An approach to talent management that facilitates the achievement of this is increasingly recognized as a critical success factor.

Creating a context in which talent can flourish

Those organizations that are able to create a context whereby all talent can flourish will have a pool of people who can make a difference to the organization's prosperity.

Regardless of the organizational structure or the approach to strategy setting, there is a growing recognition of the fact that talent exists at all levels of the organization. Indeed, the frontline worker who is brilliant at creating solutions for customers or the back office worker who is a genius at app design, process flows or project management is regarded in today's organization as critical talent, irrespective of whether they are riding on a fast track. New companies such as those providing product to Apple and Google's apps shops rely as much on their nimble market-focused designers to produce winning products as the vision of their CEOs. Making sure that all are given the space and development to fulfil their potential is the twin talent challenge.

The onus is on the organization as a whole, and on those responsible for talent management in particular, to develop practices and a culture that maximize the contribution of all employees whilst at the same time ensuring that fulfilment of key positions is also satisfied. Organizations will acknowledge that smart talent management will create strategic value and create competitive advantage (Vaiman and Vance, 2008).

The unique challenge in global organizations

Balancing the outcomes of the organization's global talent needs against (the sometimes competing) local requirements is a challenge for most global organizations, and yet successfully doing so is one of the critical success

factors that have been highlighted. Some are able to introduce global performance standards, supported by global leadership competency profiles and standardized performance appraisal tools and processes.

Others allow the decision on whether to enforce a single global standard to remain a local one, believing that the principles are more important than the processes. On the whole, a company's decision 'about how much local control to allow depends partly on the industry; for instance, consumer products need to be more attuned to the local market than pharmaceuticals or software' (Stahl *et al.*, 2012).

There is a wide range of challenges facing global organizations in their quest to attract and retain talented people. These include the well-researched areas of cultural differences and attitudinal or behavioural variations from one country to the next. A less-well-researched area is the energy needed to manage global operations given differences in time and distance. Persistence and flexibility are two characteristics of global management. Some would say core competences.

Releasing the potential of talent

The approach advocated by this book is that if you make your people before you make your products, releasing the potential of your talent as a top priority, the creativity and commitment released will generate new business opportunities that other companies may find hard to replicate, which in turn will give you a unique competitive advantage.

Achieving this desirable outcome may require a shift in corporate mindset because people will be on a par with new product development, the creation of new distribution outlets or clever financial engineering in the list of the company's priorities. This is a different world from the one in which talent consisted of a few high potentials in talent pools to be visited at the time of the annual talent review. Now, organizations have simultaneously to implement exclusivity and inclusivity in the company's talent strategy.

Talent management goes beyond the creation of effective processes to the creation of an inclusive culture of opportunity.

If organizations can become like the talent factories epitomized by Procter & Gamble in the seminal *Harvard Business Review* article by Ready and Conger (2007), they will ensure a supply of people to fill key positions. To do so means that they will need to maintain 'a twin focus on functionality (rigorous talent processes that support strategic and cultural objectives) and vitality (management's emotional commitment, which is reflected in daily actions)'.

But it's no longer relevant for organizations to direct their talent management efforts only to the traditional 'centres of performance': senior managers and high potentials. Instead a more comprehensive and holistic view will be necessary, since recently recruited employees may be the ones who hold the key to the company's prosperity.

They may be nearer to the marketplace in which the organization is competing, have skills based on new technologies that can be developed into winning products or services or they may have a mindset of creativity and innovation. Hence, their talents are invaluable in developing and positioning a company in its market. Their knowledge and behaviours will be critical in developing the company's ethos and culture.

Talent management should embrace the potential of all employees.

A business case for talent: The organizational perspective

It is possible to justify the level of interest in talent and talent management from two perspectives.

First, there is the argument that talented people can make a difference to the organization's bottom line. This is the business case for talent. Second, there is the argument that talent management can help to maximize the contribution of talented people and ensure that they perform and develop to their full potential. This is the 'people case' for talent management.

The World Federation of People Management Associations concludes in its *Creating People Advantage* report (Boston Consulting Group, 2012) that those companies which didn't adapt to the 'new state of high volatility will be rendered obsolete by more nimble and flexible rivals'. One way to

avoid this is by an effective talent strategy. There are significant business reasons for having a focus on talent.

Amongst the benefits of effective talent management are greater commitment, well-being, favourable turnover intentions and fairness (Sonnenberg, 2010). Talent has been identified as a driver of value creation, more talent and better shareholder returns. Dave Ulrich identifies four key outcomes of why talent matters (Ulrich, 2011):

- Investor confidence: total market value; better p/e than competitors.
- Community reputation: brand recognition and impact.
- Business execution: ability to implement new strategy.
- Customer commitment and share.

Amongst the objectives outlined for talent management in North American Companies (Right Management, 2012) were to ensure future leadership, plan and manage succession and to retain high-value talent. Other objectives included fostering employee engagement, developing all employees and boosting productivity. The output of these could reduce employee turnover, build the organization brand and advance diversity within the organization. Additional benefits were creativity and innovation and the ability to adapt to globalization.

In addition, a survey of talent management in European organizations (Turner, 2012) found that talent management had a variety of organizational benefits:

- Talent management programmes could enhance the organization's performance resulting in higher business performance indicators.
- An effective talent management programme could support the achievement of stretch targets by ensuring a supply of leaders through all parts of the organization.
- Giving talent the opportunity to gain insight into the company through structured development and secondment opportunities and then using this insight to build new business segments was a value-adding outcome of the investment in talent.

- The development of internationally minded leaders would support the organization's global growth.

Furthermore, the benefits of talent management in Asia were seen as integral to continued economic growth (Selvaretnam, 2013).

The business benefits of having robust talent management systems and processes are recognized worldwide. But this is only one part of the organizational case for investment in talent. The other concerns the many benefits felt by the people who work for the organization when they feel that they have the opportunity to flourish.

A 'people' case for talent: Talent management from the perspective of those defined as 'talent'

The CIPD found that 'participants on talent programmes or pools have high engagement levels and are more likely to see a future with their organization. They value personal development such as coaching and mentoring over more formal offerings and believe that the talent activities will help them to both perform better in their current roles and prepare them for potential future positions' (McCartney, 2010).

The challenge now is to extend these feelings to all employees, to create a culture of meaning and abundance throughout the whole organization (Ulrich and Ulrich, 2010). This means addressing the multiple needs of employees.

People want different things from the organizations in which they work. One study of high potentials identified interest groups (Uren, 2011) such as 'Brand Enthusiasts' who want to work in a company that has a strong reputation or brand. 'They seek opportunities to be stretched and challenged, and want the necessary support to make this happen'; 'Career Ladderists', who want promotion and are attracted to organizations with upward development and progression; and 'Connectors', for whom 'development is about having a range of opportunities and experiences, as well as having the right collaboration and support in place to make the most of them'.

One of the talent challenges will be to create the environment in which the expectations of each of these groups are understood and, if possible, met. The result will be tangible outcomes (return on investment in talent) and intangible ones (motivated and engaged employees or an increase in the value of intangible assets such as corporate reputation or IP). But this won't be enough. As Caplan (2011) points out, 'everyone is important. Make talent important for everyone'. This means focusing on the individual development of all employees.

In today's business environment talent management has gone beyond the matching of supply and demand. The traditional challenges faced by those organizations such as recruiting and retaining people in tight labour markets have in recent times been complemented by new ones brought about by globalization, demographics and attitudinal differences between generations, as well as increasing demand from within the organization to provide an economic rationale to funding talent initiatives.

The already complex field of talent management has been made more so by these developments. And so it is incumbent on the organization to have some clarity about its objectives for talent management investment, a clear strategy for delivering these and a process that is robust as a stand-alone entity but is also integrated with other organizational or people management processes.

Critical success factors for talent management

Traditional, linear approaches to talent management that have evolved over a twenty-year period have a proven track record. But there is the opportunity to add to them with new approaches that take account of external forces – globalization, demographic change and so on – and internal dynamics such as new types of organizational structure. Gap analysis and demand fulfilment through classic talent methods such as nine-box models are important but can only offer part of the solution. In addition, an organizational culture that recognizes the value of allowing talented people at all levels to flourish with abundance can be uniquely differentiating.

This has led to clarification of organizational expectations of those responsible for talent.

Combining new and more traditional talent challenges creates a revised set of critical success factors, which include:

- Using outside-in thinking to gain insights into the dynamics of labour markets and new ways of managing talent.
- Having clarity and consensus about what is meant by the term talent in the unique context of the organization.
- Prioritizing the effective alignment of talent strategy with business strategy.
- *And* the creation of new strategies based on the unique talents within the workforce.
- Ensuring that this is done in a way that leads to a return on investment in talent.
- Managing talent in a flexible or non-hierarchical workforce structure.
- Managing talent in a diverse workforce.
- Dealing successfully with generational differences and the attitudes to employment and career management.
- Reconciling organizational (cultural), management and financial (budget) tensions of delivering talent strategy.
- Integrating social media into talent management processes.

In future, sustainable talent management strategies will value 'knowledge-sharing, involvement and shared leadership, require all staff to be other-referential rather than self-referential, and value craftsmanship and experience as well as potential' (CIPD, 2011a).

Making your people before you make your products may be the key to achieving this.

But this will not take place in a vacuum. And so those responsible for talent management will also have an understanding of the context within which their organizations are operating. The demand for talent takes place in a dynamic and competitive environment.