26

Talent management

Talent management consisting of talent planning and development is a relatively new concept, only emerging in the 2000s. It derives from the phrase 'the war for talent', which originated in the late 1990s as a means of highlighting the problems that organizations were having in attracting and retaining talented people. However O'Reilly and Pfeffer (2000) point out that: 'Companies that adopt a "talent war" mindset may place too much value on outsiders and downplay the talent already in the company.' The approach should be one that emphasizes the ability of everyone to succeed and thereby 'achieve extraordinary results with ordinary people'. And Pfeffer (2001) warns that the war for talent is the wrong metaphor because it overlooks the extent to which teams of people will often operate more effectively than mere collections of individuals.

There is nothing new about the various approaches contained in the concept of talent management – attraction, retention, motivation and engagement, development, and succession planning. But they are bundled together to produce a more coherent whole that can be a vehicle for the development and implementation of coordinated and mutually supporting approaches that help the organization to get and to keep the talented people it needs. It is closely associated with the notion of creating 'a best place to work', which has again become prominent in the 2000s.

In this chapter talent management is dealt with under the following headings:

- talent management defined;
- the elements of talent management;
- creating a 'best place to work';
- attraction policies;
- retention policies;
- career management (career and succession planning) policy and practice;
- talent management for knowledge workers;
- conclusions – the practice of talent management.

TALENT MANAGEMENT DEFINED

Talent management is the use of an integrated set of activities to ensure that the organization attracts, retains, motivates and develops the talented people it needs now and in the future. The aim is to secure the flow of talent, bearing in mind that talent is a major corporate resource.

It is sometimes assumed that talent management is only concerned with key people – the high flyers. For example, Smilansky (2005) states that it is 'aimed at improving the calibre, availability and flexible utilization of exceptionally capable (high potential) employees who can have a disproportionate impact on business performance'. But everyone in an organization has talent, even if some have more talent than others. Talent management processes should not be limited to the favoured few. This point was made by deLong and Vijayaraghavan (2003) when they suggested that the unsung heroes of corporate performance are the capable, steady performers.
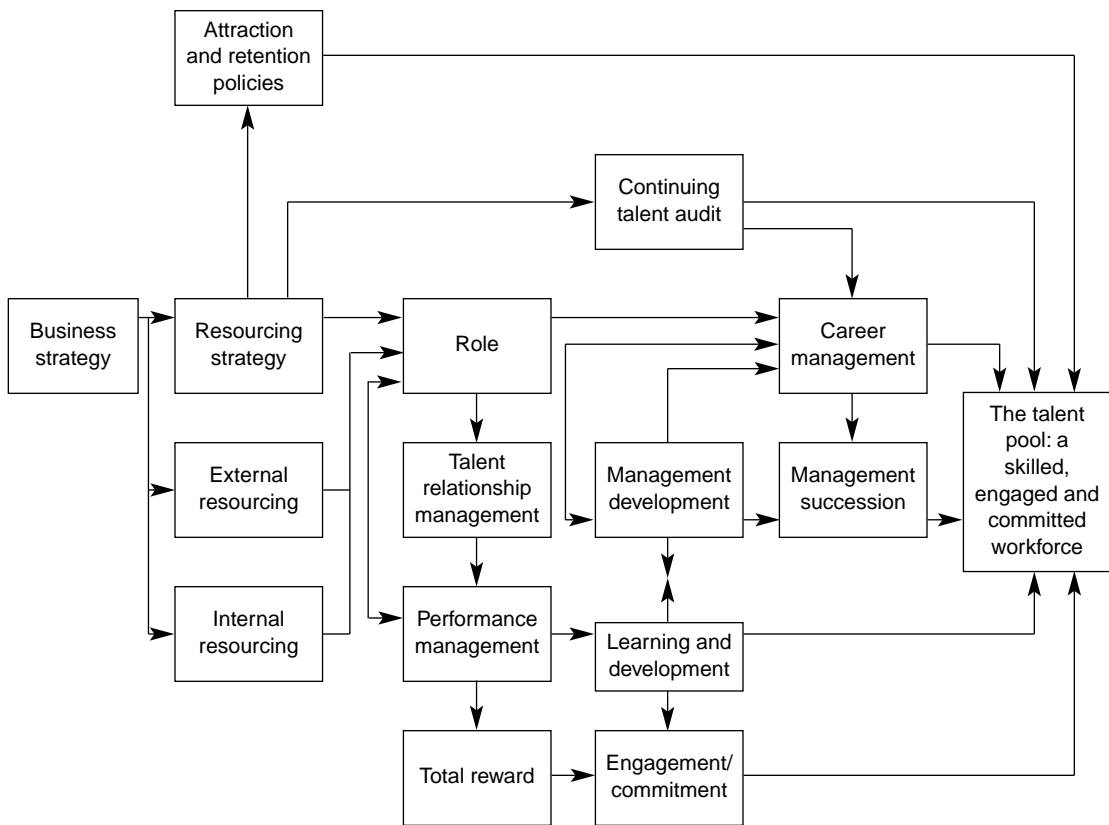
THE ELEMENTS OF TALENT MANAGEMENT

The elements of talent management and their interrelationships are shown in Figure 26.1.

Talent management starts with the business strategy and what it signifies in terms of the talented people required by the organization. Ultimately, its aim is to develop and maintain a talent pool consisting of a skilled, engaged and committed workforce. Its elements are described below.

The resourcing strategy

The business plan provides the basis for human resource planning, which defines

Figure 26.1 The elements of talent management

human capital requirements and leads to attraction and retention policies and programmes for internal resourcing (identifying talent within the organization and developing and promoting it).

Attraction and retention policies and programmes

These policies and programmes describe the approach to ensuring that the organization both gets and keeps the talent it needs. Attraction policies lead to programmes for external resourcing (recruitment and selection of people from outside the organization). Retention policies are designed to ensure that people remain as committed members of the organization. The outcome of these policies is a talent flow that creates and maintains the talent pool. Both attraction and retention policies as

discussed in greater detail later in this chapter will be included amongst the steps required to make the organization 'a great place to work', also considered in the next main section of this chapter.

Talent audit

A talent audit identifies those with potential and provides the basis for career planning and development – ensuring that talented people have the sequence of experience supplemented by coaching and learning programmes that will fit them to carry out more demanding roles in the future. Talent audits can also be used to indicate the possible danger of talented people leaving (risk analysis) and what action may need to be taken to retain them.

Role development

Talent management is concerned with the roles people carry out. This involves role development – ensuring that roles provide the responsibility, challenge and autonomy required to create role engagement and motivation. It also involves taking steps to ensure that people have the opportunity and are given the encouragement to learn and develop in their roles. Talent management policies also focus on role flexibility – giving people the chance to develop their roles by making better and extended use of their talents.

Talent relationship management

Talent relationship management is the process of building effective relationships with people in their roles. It is concerned generally with creating a great place to work (see later), but particularly it is about treating individual employees fairly, recognizing their value, giving them a voice and providing opportunities for growth. The aim is to achieve 'talent engagement', ensuring that people are committed to their work and the organization. As Sears (2003) points out, it is 'better to build an existing relationship rather than try to create a new one when someone leaves'.

Performance management

Performance management processes provide a means of building relationships with people, identifying talent and potential, planning learning and development activities and making the most of the talent possessed by the organization. Line managers can be asked to carry out separate 'risk analyses' for any key staff to assess the likelihood of their leaving. Properly carried out, performance management is a means of

increasing the engagement and motivation of people by providing positive feedback and recognition. This is part of a total reward system.

Total reward

Total reward strategies (see Chapter 43), which provide for both financial and non-financial rewards, can contribute to the engagement and commitment of talented people by demonstrating that they are valued for their contribution and by operating fairly and consistently. Paying competitive rates will affect the ability of organizations to attract and retain people, but there is a limit to the extent to which companies can compete with the 'pull of the market' as Cappelli (2000) points out. Retention or loyalty bonuses (golden handcuffs) are used by some companies, but again, as stressed by Cappelli there is a limit to their effectiveness as bribes. If talented people want to go they will go.

Learning and development

Learning and development policies and programmes are essential components in the process of developing talent – ensuring that people acquire and enhance the skills and competencies they need. Policies should be formulated by reference to 'employee success profiles', which are described in terms of competencies and define the qualities that need to be developed. Employee success profiles can be incorporated in role profiles.

Learning and development activities are also important means of developing managers and gaining the engagement and commitment of talented staff by giving them opportunities to grow in their present roles and to progress to higher-level roles.

Career management

Career management consists of the processes of career planning and management succession. Career planning shapes the progression of individuals within an organization in accordance with assessments of organizational needs, defined employee success profiles and the performance, potential and preferences of individual members of the enterprise.

Management succession planning takes place to ensure that, as far as possible, the organization has the managers it requires to meet future business needs. Career management is dealt with in more detail in the last section of this chapter.

CREATING A GREAT PLACE TO WORK

Ensuring that the organization is perceived as being 'a great place to work' means that it becomes an 'employer of choice', ie one for whom people want to work. There is a desire to join the organization and once there, to want to stay. Employees are committed to the organization and engaged in the work they do. To acquire a national, even a local reputation as a good employer takes time. But it's worth the effort.

On the basis of their longitudinal research in 12 companies, Purcell *et al* (2003) concluded that:

> What seems to be happening is that successful firms are able to meet people's needs both for a good job and to work 'in a great place'. They create good work and a conducive working environment. In this way they become an 'employer of choice'. People will want to work there because their individual needs are met – for a good job with prospects linked to training, appraisal, and working with a good boss who listens and gives some autonomy but helps with coaching and guidance.

The criteria used by the *Sunday Times* in identifying the '100 Best Companies to Work For', 2005 were:

- leadership at senior management level;
- my manager – local management on a day-to-day basis;
- personal growth – opportunities to learn, grow and be challenged;
- well-being – balanced work-life issues;
- my team – immediate colleagues;
- giving something back – to society and the local community;
- my company – the way it treats staff;
- fair deal – pay and benefits.

The factors used in the *Financial Times* 2005 best workplaces report were:

- have a range of management practices that help staff to feel valued, productive and listened to;
- support at home – step in when people are suffering from personal problems;
- maintain a balance between work and family;
- effective employee development programme;
- staff trusted to do their jobs properly.

Creating a great place to work starts with developing the image of the organization so that it is recognized as one that achieves results, delivers quality products and services, behaves ethically and provides good conditions of employment. Organizations with a clear vision and a set of integrated and enacted values are likely to project themselves as being well worth working for.

ATTRACTION STRATEGIES

The overall strategy should be to become an employer of choice. As Scarborough and Elias (2002) put it: 'The recruitment of key individuals who will contribute significantly to the value-creating capacity of the firm is crucial to success.' The aims are to establish the brand image of the organization – how others perceive it (employee branding), to become an employer of choice, and to target recruitment and selection to obtain the sort of people the organization needs.

Employer branding

Employer branding is the creation of a brand image of the organization for prospective employees. It will be influenced by the reputation of the organization as a business or provider of services as well as its reputation as an employer. As described by Alan Reed, Founder and Chief Executive of Reed Executive plc, in 2001: 'Employer branding is the concept of applying to the recruitment process the same marketing coherence used in the management of customers.' He suggests that the approaches required to develop an employer brand are:

- analyse what ideal candidates need and want and take this into account in deciding what should be offered and how it should be offered;
- establish how far the core values of the organization support the creation of an attractive brand and ensure that these are incorporated in the presentation of the brand as long as they are 'values in use' (lived by members of the organization) rather than simply espoused;
- define the features of the brand on the basis of an examination and review of each of the areas that affect the perceptions of people about the organization as 'a great place to work' – the way people are treated, the provision of a fair deal, opportunities for growth, work-life balance, leadership, the quality of management, involvement with colleagues and how and why the organization is successful;

- benchmark the approaches of other organizations (the *Sunday Times* list of the 100 best companies to work for is useful) to obtain ideas about what can be done to enhance the brand;
- be honest and realistic.

Employer of choice

The aim is to become an 'employer of choice', a place where people prefer to work. This means developing what Sears (2003) calls 'a value proposition', which communicates what the organization can offer its employees as a 'great place to work'. The factors that contribute to being an employer of choice are the provision of:

- interesting and rewarding work;
- opportunities for learning, development and career progression;
- a reasonable degree of security;
- enhanced future employability because of the reputation of the organization as one that employs and develops high quality people, as well as the learning opportunities it provides;
- better facilities and scope for knowledge workers, eg research and development scientists or engineers and IT specialists;
- employment conditions that satisfy work-life balance needs;
- a reward system that recognizes and values contribution and provides competitive pay and benefits.

This all adds up to an employee value proposition which, as a means of attracting and retaining high potential employees, recognizes that they will be looking for strong values and expecting to be well managed, to have freedom and autonomy, high job challenge and career opportunities. A powerful method of retention is simply to ensure that people feel they are valued.

Targeted recruitment and selection

The first step is to identify what sort of people the organization needs with regard to their qualifications and experience and the extent to which they are likely to fit the culture of the organization – its values and norms. This involves analysing and assessing work requirements and defining what cultural fit means. The most important characteristics of those who are already thriving – what separates successful from unsuccessful employees – should be determined so that others like them can be recruited. Attitudes to work, careers and the company are important; behaviour can be influenced later as people become familiar with the culture so long

as their attitudes are right. As Leary-Joyce (2004) says: 'Recruit for attitude, induct for culture.'

RETENTION STRATEGIES

The turnover of key employees can have a disproportionate impact on the business and the people organizations wish to retain are probably the ones most likely to leave. Reed (2001) claims that:

> Every worker is five minutes away from handing in his or her notice, and 150 working hours away from walking out of the door to a better offer. There is no such thing as a 'job for life' and today's workers have few qualms about leaving employers for greener pastures… The average permanent job in the UK lasts six years.

Concerted action is required to retain talented people, but there are limits to what any organization can do. It is also necessary to encourage the greatest contribution from existing talent and to value them accordingly.

Factors affecting retention

Retention strategies should be based on an understanding of the factors that affect them. For early career employees (30 years and under) career advancement is significant. For mid-career employees (age 31–50) the ability to manage their careers and satisfaction from their work are important. Late career employees (over 50) will be interested in security. It is also the case that a younger workforce will change jobs and employers more often than an older workforce, and workforces with a lot of part-timers are less stable than those with predominately full-time staff. The specific factors that affect retention are:

- company image;
- recruitment, selection and deployment;
- leadership – 'employees join companies and leave managers';
- learning opportunities;
- performance recognition and rewards.

A study of high flyers by Holbeche (1998) found that the factors that aided the retention and motivation of high performers included providing challenge and achievement opportunities (eg assignments), mentors, realistic self-assessment and feedback processes.

Basis of the strategy

A retention strategy takes into account the particular retention issues the organization is facing and sets out ways in which these issues can be dealt with. This may mean accepting the reality, as mentioned by Cappelli (2000), that the market, not the company will ultimately determine the movement of employees. Cappelli believes that it may be difficult to counter the pull of the market – 'you can't shield your people from attractive opportunities and aggressive recruiters', and suggests that: 'The old goal of HR management – to minimize overall employee turnover – needs to be replaced by a new goal: to influence who leaves and when.' This, as proposed by Bevan *et al* (1997), could be based on risk analysis to quantify the seriousness of losing key people, or of key posts becoming vacant.

Risk analysis

Risk analysis can be carried out initially by identifying potential risk areas – the key people who may leave and, for each of them as individuals or groups, estimating:

● the likelihood of this occurring;
● how serious the effects of a loss would be on the business;
● the ease with which a replacement could be made and the replacement costs.

Each of the estimates could be expressed on a scale, say: very high, high, medium, low, very low. An overview of the ratings under each heading could then indicate where action may need to be taken to retain key people or groups of people.

Analysis of reasons for leaving

Risk analysis provides specific information on areas for concern. More generally, some indication of the reasons for leaving and therefore where action needs to be taken may be provided by exit interviews, but they are fallible. More reliance can be placed on the results of attitude or opinion surveys to identify any areas of dissatisfaction. The retention plan should propose actions that would focus on each of the areas in which lack of commitment and dissatisfaction can arise.

Areas for action

Depending on the outcome of the risk analysis and the overall assessment of reasons for leaving, the possible actions that can be taken are as follows:

- Deal with uncompetitive, inequitable or unfair pay systems. But as Cappelli (2000) points out, there is a limit to the extent to which people can be bribed to stay. Remember that while money might attract, you can't buy love – it is often other things that get people to stay (how they are treated).
- Design jobs to maximize skill variety, task significance, autonomy, control over their work and feedback, and ensure that they provide opportunities for learning and growth. Some roles can be 'customized' to meet the needs of particular individuals.
- Develop commitment to the work (job engagement) not only through job design but also by organizing work around projects with which people can identify more readily than the company as a whole.
- Encourage the development of social ties within the company. In the words of Cappelli (2000), 'loyalty to companies may be disappearing but loyalty to colleagues is not'.
- Ensure that selection and promotion procedures match the capacities of individuals to the demands of the work they have to do. Rapid turnover can result simply from poor selection or promotion decisions.
- Reduce the losses of people who cannot adjust to their new job – the 'induction crisis' – by giving them proper training and support when they join the organization.
- Take steps to improve work-life balance by developing policies including flexible working that recognize the needs of employees outside work.
- Eliminate as far as possible unpleasant working conditions or the imposition of too much stress on employees.
- Select, brief and train managers and team leaders so that they appreciate the positive contribution they can make to improving retention by the ways in which they lead their teams. Bear in mind that people often leave their managers rather than their organization.

CAREER MANAGEMENT

Career management defined

Career management is concerned with providing opportunities for people to progress and develop their careers and ensuring that the organization has the flow of talent it needs. The elements of career management are the provision of learning and development opportunities, career planning and management succession planning.

Aims

For employees, the aims of career management policies are first, to give individuals the guidance, support and encouragement they need if they are to fulfil their potential and achieve a successful career with the organization in tune with their talents and aspirations. Secondly, the aim is to provide men and women of promise with a sequence of learning activities and experience that will equip them for whatever level of responsibility they have the ability to reach.

For the organization, the aim of career management is to meet the objectives of its talent management policies, which are to ensure that there is a talent flow that creates and maintains the required talent pool.

Career management calls for an approach that explicitly takes into account both organizational needs and employee interests. As described by Hirsh and Carter (2002), it encompasses recruitment, personal development plans, lateral moves, special assignments at home or abroad, development positions, career bridges, lateral moves, and support for employees who want to develop. It calls for creativity in identifying ways to provide development opportunities and enhance employee loyalty.

Career dynamics

Career planning should be based on an understanding of career dynamics. This is concerned with how careers progress – the ways in which people move through their careers either upwards when they are promoted, or by enlarging or enriching their roles to take on greater responsibilities or make more use of their skills and abilities. The three stages of career progression – expanding, establishing and maturing – are illustrated in Figure 26.2. This also shows how individuals progress or fail to progress at different rates through these stages.

The process of career management

The process of career management is illustrated in Figure 26.3.

Career management policies

The organization needs to decide on the extent to which it 'makes or buys' talented people. Should it grow its own talent (a promotion from within policy) or should it rely on external recruitment (bringing 'fresh blood' into the organization)? The policy may be to recruit potentially high performers who will be good at their present job and are rewarded accordingly. If they are really good, they will be promoted and the enterprise will get what it wants. Deliberately to train managers for a future that may
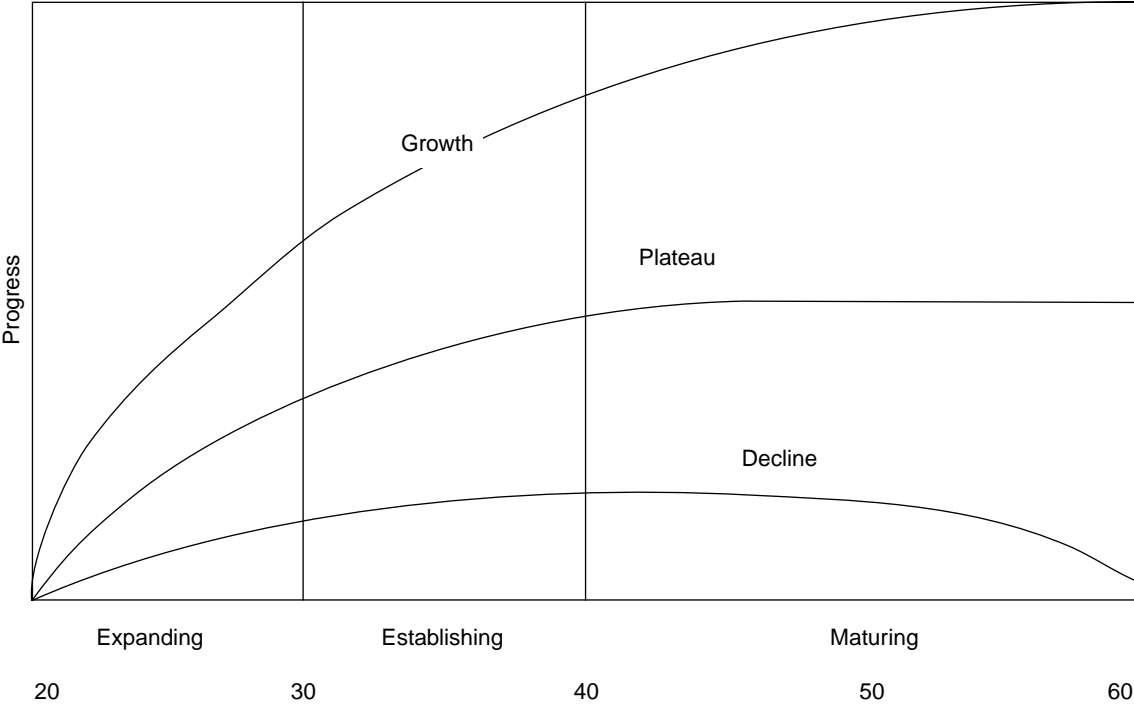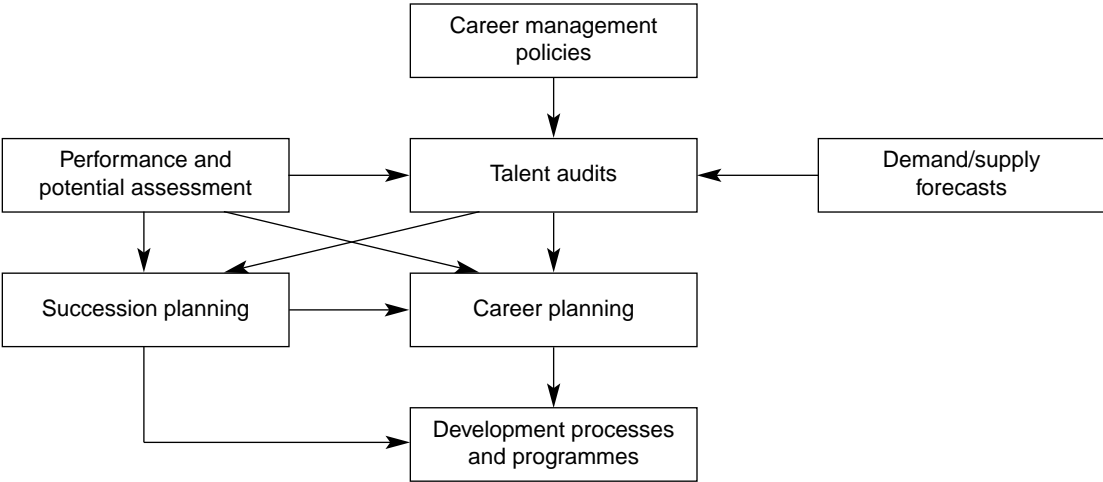
Figure 26.2　Career progression curves

Figure 26.3　The process of career management

never happen is considered a waste of time. In contrast and less frequently, employers who believe in long-term career planning develop structured approaches to career management. These include elaborate reviews of performance and potential, assessment centres to identify talent or confirm that it is there, 'high-flyer' schemes, and planned job moves in line with a predetermined programme.

There may also be policies for dealing with the 'plateaued' manager who has got so far but will get no further. Some managers in this position may be reconciled to reaching the end of the 'rat race' but continue to work effectively. Others will become bored, frustrated and unproductive, especially rising stars on the wane. The policy may be to provide for steps to be taken to reshape their careers so that they still have challenging work at the same level, even if this does not involve promotion up the hierarchy. Alternatively, the policy may need to recognize that some managers will have to be encouraged to start new careers elsewhere. In the latter case, career counselling advice should be provided, possibly through 'outplacement' consultants who provide such a service.

Talent audits

These review the stocks of talent available and the flows required by reference to demand and supply forecasts and performance and potential assessments. They provide the basis for succession and career planning.

Performance and potential assessments

The aim of performance and potential assessment is to identify training and development needs, provide guidance on possible directions in which an individual's career might go, and indicate who has potential for promotion. This information can be obtained from performance management processes, as described in Part VII.

Assessment of potential can be carried out formally by managers following a performance review. They may be asked to identify people who have very high potential, some potential, or no potential at all. They may also be asked to indicate when individuals will be ready for promotion and how far they are likely to get. The problem with this sort of assessment is that managers find it difficult to forecast the future for the people they are reviewing – good performance in the current job does not guarantee that individuals will be able to cope with wider responsibilities, especially if this involves moving into management. And managers may not necessarily be aware of the qualities required for longer-term promotion. But the organization does need information on those with potential and assessors should be encouraged in their comments section at least to indicate that this is someone who is not only performing well in the present job but may well perform well in higher-level jobs.

This information can identify those who may be nominated to attend development centres (see Chapter 40), which can be used to establish potential and discuss career plans.

Demand and supply forecasts

Demand and supply forecasts are provided by the use of human resource planning and modelling techniques (see Chapter 25). In larger organizations, modelling is a particularly fruitful method to use because it allows for sensitivity analysis of the impact of different assumptions about the future (answering 'What if?' questions).

Expert systems, as described in Chapter 59, can also be used where this is an extensive database on flows, attribute requirements (person specifications), and performance and potential assessments. Such systems can establish relationships between the opportunities and the personal attributes they demand, so that careers advisers can take a set of personal attributes and identify the most appropriate available opportunities. At the career planning stage, they can also identify people with the correct abilities and skills for particular jobs and provide information on the career management programmes required to ensure that attributes and jobs are matched and careers progress at an appropriate rate. Career management systems such as ExecuGROW (Control Data) have been specially developed for this purpose.

There is a limit, however, to sophistication. There are so many variables and unpredictable changes in both supply and demand factors that it may be possible to conduct only an annual check to see what the relationship is between the numbers of managers who will definitely retire over the next four or five years and the numbers at the next level who have the potential to succeed them. If this comparison reveals a serious imbalance, then steps can be taken to reduce or even eliminate the deficit, or to consider other types of deployment for those who are unlikely to progress.

Succession planning

Succession planning is the process of assessing and auditing the talent in the organization in order to answer three fundamental questions:

1. Are there enough potential successors available – a supply of people coming through who can take key roles in the longer term?
2. Are they good enough?
3. Do they have the right skills and attributes for the future?

Succession planning is based on the information supplied by talent audits, supply and demand forecasts and performance and potential reviews. In some large

organizations in which demand and supply forecasts can be made accurately, highly formalized succession planning processes exist based on the sort of management succession schedule illustrated in Figure 26.4.

MANAGEMENT SUCCESSION SCHEDULE					Department	Director/manager:		
Existing managers						Potential successors		
Name	Position	Due for replacement	Rating		If promotable, to what position and when?	Names: 1st and 2nd choice	Positions	When
			Performance	Potential				

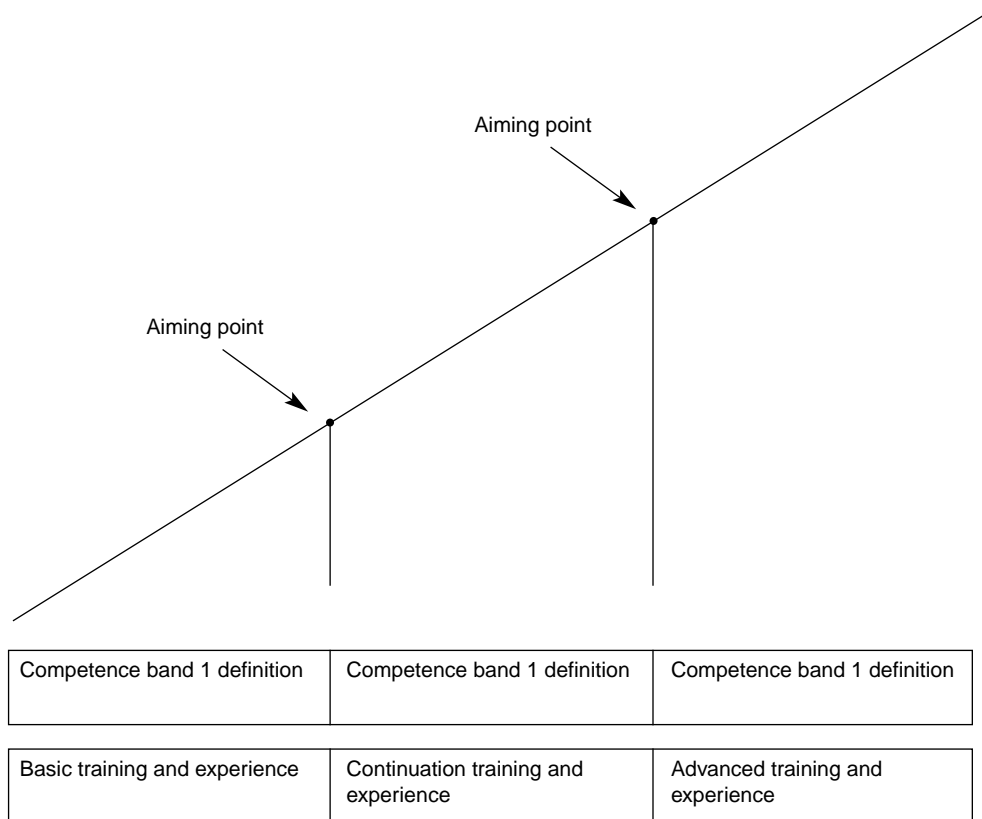**Figure 26.4** Management succession schedule

However, Hirsh (2000) points out that the focus of succession planning has shifted from identifying successors for posts towards providing for the development of those successors by creating 'talent pools'. This is because it is difficult in the changeable environment in which most organizations exist to predict succession requirements. There is also the problem of making reliable assessments of potential or 'promotability'. Another issue raised by Hirsh is that organizations fear that too much talk of 'careers' gives employees unrealistic expectations of promotion. It can be difficult to talk about the future in a volatile business. 'The result has been that many managers feel no one wants to talk about their career prospects and the organization would secretly like them to stay just where they are. This situation leads to frustration and demotivation.'

Career planning

Career planning uses all the information provided by the organization's assessments of requirements, the assessments of performance, and potential and management succession plans, and translates it into the form of individual career development programmes and general arrangements for management development, career counselling and mentoring.

It is possible to define career progression in terms of what people are required to know and be able to do to carry out work at progressive levels of responsibility or contribution. These levels can be described as competency bands. For each band, the experience and training needed to achieve the competency level would be defined in order to produce a career map incorporating 'aiming points' for individuals, as illustrated in Figure 26.5, who would be made aware of the competency levels they must reach in order to achieve progress in their careers. This would help them to plan their own development, although support and guidance should be provided by their managers, HR specialists and, if they exist, management development advisers or mentors. The provision of additional experience and training could be arranged as appropriate, but it would be important to clarify what individual employees need to do for themselves if they want to progress within the organization.

Competence band 1 definition	Competence band 1 definition	Competence band 1 definition

Basic training and experience	Continuation training and experience	Advanced training and experience

Figure 26.5   Competence band career progression system

Career family grade structures, as described in Chapter 46, can define levels of competency in each career family and show career paths upwards within families or between families, as illustrated in Figure 26.6.
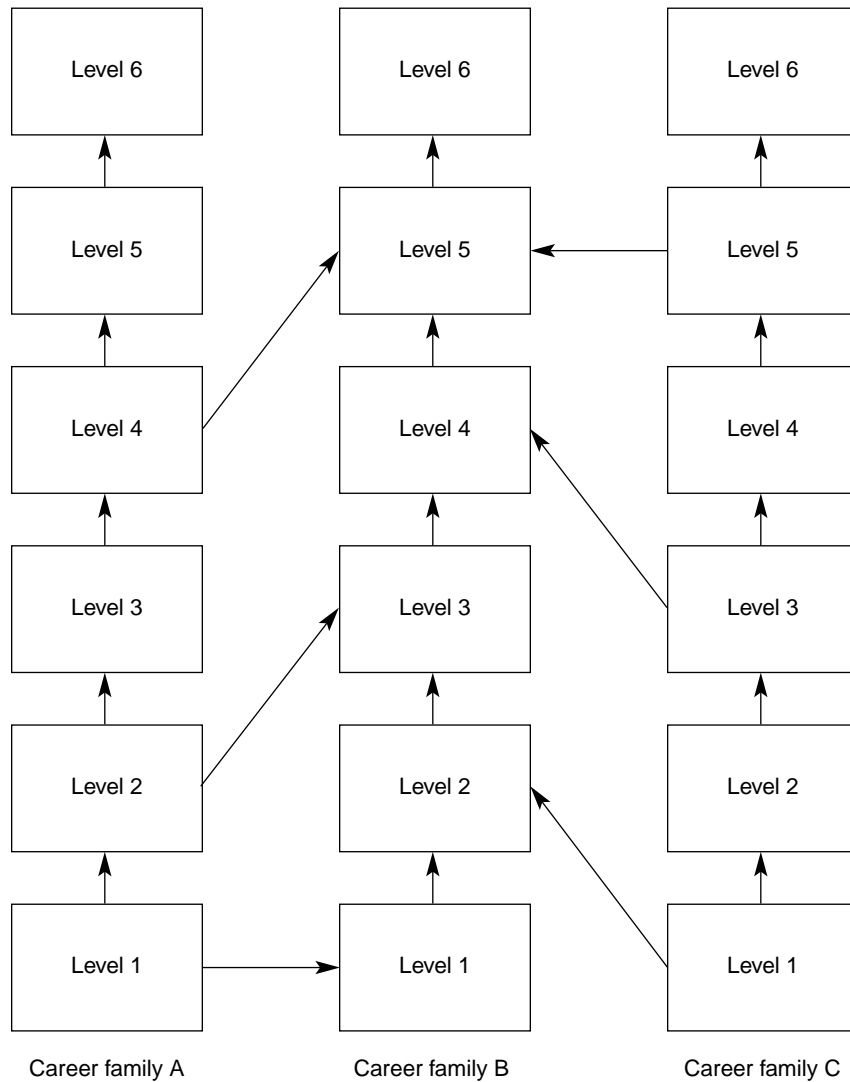
Figure 26.6 Career paths in a career family structure

Formal career planning along these lines may be the ideal, but as noted by Hirsh *et al* (2000), there has been a shift from managed career moves to more open internal job markets. The process of internal job application has become the main way in which employees manage their careers.

TALENT MANAGEMENT FOR KNOWLEDGE WORKERS

Knowledge workers are defined as workers whose skills or knowledge are inextricably linked with the product or service of their employing organizations. The term therefore embraces such diverse groups as lawyers, accountants, software designers, web designers, academics, marketers and media workers. More and more work is being defined by some kind of knowledge element. According to Swart and Kinnie (2004) the effective management of knowledge workers presents organizations with a number of dilemmas. Choices have to be made between the retention of knowledge and knowledge workers, and the desire of knowledge workers to increase their employability. Tension also exists between the need to develop organization-specific knowledge and the wish of knowledge workers to develop transferable knowledge. The firm may want to appropriate the value of that knowledge, but workers may want to retain ownership of their knowledge.

Swart and Kinnie argue that understanding of these dilemmas is improved by a greater appreciation of where professional workers get their primary source of identification – is it from their profession, the organization that employs them, the team or the client? Their loyalty may be to their professional mission rather than their employer. Professional research staff or academics may be committed to achieving professional status and recognition above any forms of performance recognition that the employing organization might be able to offer.

TALENT MANAGEMENT IN PRACTICE

As described in this chapter talent management consists of a wide range of activities. Organizations differ hugely in the ways in which they manage their talent. Some aim to integrate all or most of these activities, others concentrate on one or two such as talent audits and succession planning. Centrica provides an example of a comprehensive approach, illustrated in Figure 26.7.
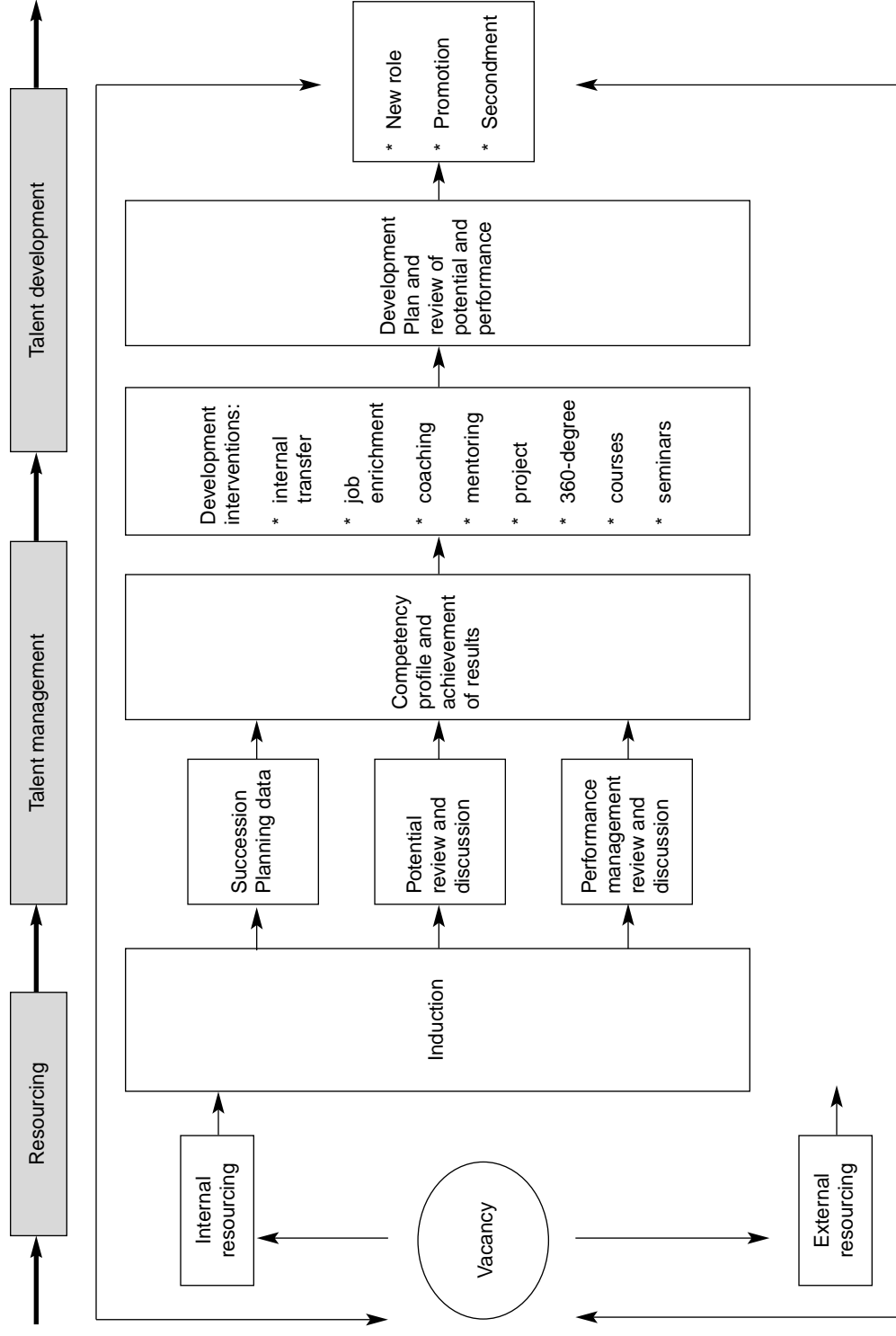
Figure 26.7 Talent acquisition and development at Centrica