# Strategic Approach to Talent Management : A Theoretical Model

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## ABSTRACT

"We must view talent management programs as part of a bigger picture, not in isolation. It is the elements of this bigger picture, the interconnected cycle, which will make or break success."

*- (HRD – Unisys Asia Pacific, 2005)*

Many organizations struggle to show how the talent management processes they support are relevant to driving their business success / to their business strategy. Rather than being viewed as a critical part of business strategy execution, talent management is viewed as a mere administrative function that is necessary but relatively uninteresting to business operations and success. Talent management processes in many companies should be viewed as equivalent to the heart in a human body. Talent management processes (used for performance management, staffing, development compensation, and succession) takes care of the organizational health. While many appreciate the importance of these processes as something that maintains the stability in operating a company, they fail to see them as tools for driving business strategy execution. This is unfortunate; many organizations do not understand the relationship between talent management processes and business goals. Research demonstrates that companies with enlightened talent management policies have higher returns on sales, investments, assets and equity (Caudron, 2001).This paper proposes a model / matrixes on using existing talent management processes in a more integrated and focused manner to achieve operational excellence.

## Introduction

A group of McKinsey consultants coined the phrase *War for Talent* in 1997 (Michaels et al., 2001; Axelrod et al., 2002), since then 'talent management' as a topic has received a remarkable attention in the business world. Business executives have suggested that talent management practices need to lead to measurable financial business results. Gubman (1998) quotes that being an employer that values its workforce, tries to improve talent management practices tied to business strategy pays off with better long term financial performance. Hundreds of research studies were conducted in the last 10 to 15 years that tried connecting management practices with financial success. Collins and Porras (1994) found that the cumulative stock return since 1926 for visionary companies, defined as

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"role models for management practices around the globe," outperformed the general stock market by more than 15 times. A McKinsey survey of 4,500 senior managers and officers in 56 U.S. companies (Axelrod, Handfield - Jones, & Welsh, 2001) found that senior executives report that "A" employees, (defined as the best 20 percent of managers) who are in operational roles raise productivity by 40 percent over average performers; those who are in general management roles raise profitability by 49 percent over average performers; and those who are in sales roles raise sales revenues 67 percent more than average performers. However companies matched to the visionary companies on other factors outperformed the general market by only two times. When they investigated how these visionary companies "construct their culture," they found differentiating criteria that include these talent management practices (Robert F. Silzer, & Ben Dowell, 2010).

Pfeffer (1994) first identified companies with the highest total return to shareholders (stock appreciation plus dividend yield) and discovered that they differ from other companies on the way they managed people, with some specific distinctions in selection, training, labor relations, or staffing. A number of studies looked at how the number of talent management practices used might relate to financial performance. Huselid (1995) rank - ordered 700 companies and grouped them by quintiles based on the number of basic talent management practices (such as recruiting, selection, training, performance appraisal, and pay practices) used in these companies. He demonstrated a significant and progressive increase in annual shareholder return and gross return on capital, with higher – quintile companies showing progressively larger returns. A follow - up study on 986 companies with a more refined list of management practices found a significant increase in sales per employee, market value per employee, and cash flow per employee and a decrease in turnover for companies that used more of the human resource (HR) practices (Huselid, 1995). Moreover, on one hand, research dealing with talent management strategies and organizational performance is quite lacking, and the question of the right strategy for the right impact on organizational performance has not yet been answered (Lawler, III, 2008)

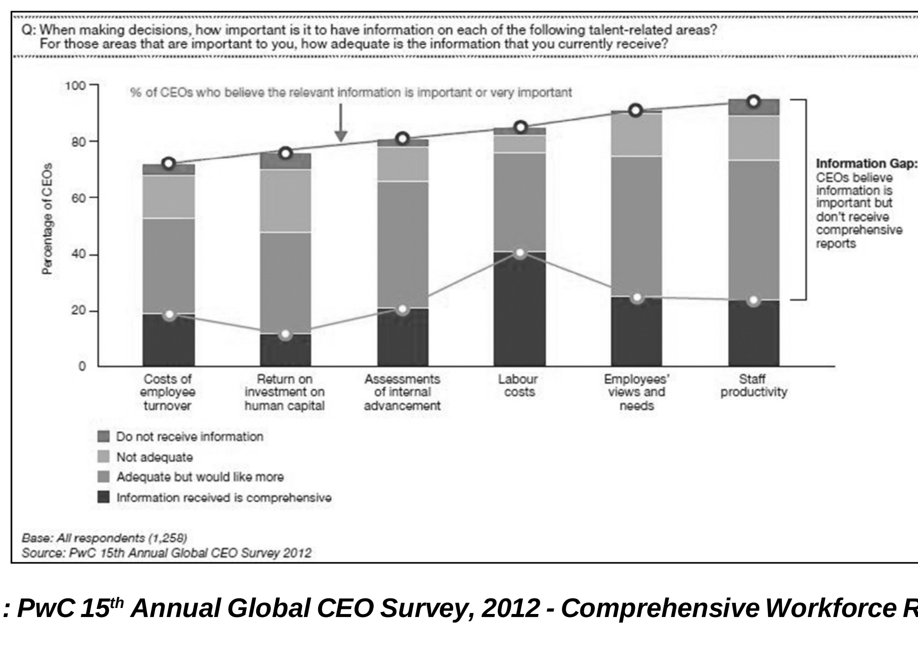


***Fig.1 : PwC 15th Annual Global CEO Survey, 2012 - Comprehensive Workforce Report***

A recent CEO study (*PwC 15th Annual Global CEO Survey 2012)* across world revealed that only very few CEO's get comprehensive reports on their workforce before taking any decision on talent – related areas as shown in Fig. 1.

Thus, this paper had attempted to come out with a model on how to synergize the talent management process and its metrics to achieve the business goals/strategies.

## Talent And Talent Management

The term *talent* dates back to ancient Greek and biblical times, starting out as measure of weight, then becoming a unit of money, and later meaning a person's value or innate abilities (Michaels et al., 2001). In addition to the facts that, very often the terms "talent management", "talent strategy", "succession management", ' human resource management' and "human resource planning" are often used interchangeably (Lewis and Heckman , 2006) and also there exist various definitions (Table 1) of the terms *talent* and *talent management*

**Table 1 : Definitions of Talent Management**

| Definition Impact | Source | Definition |
|---|---|---|
| Outcome | Jackson & Schuler, 1990 | "…ensure the right person is in the right job at the right time". |
| Process | Rothwell, 1994 | …a deliberate and systematic effort by an organization to ensure leadership continuity in key positions and encourage individual advancement". |
| Outcome | Sloan et al , 2003 | " . . . is managing global leadership talent strategically, to put the right person in the right place at the right time " |
| Specific Decision | Pascal, 2004 | …managing the supply, demand, and flow of talent through the human capital engine |
| Process | Wellins et al , 2006 | " . . . is the recruitment, development, promotion and retention of people, planned and executed in line with your organization current and future business goals " |
| Specific Decision | Cappelli, 2008 | "..a process through which employers anticipate and meet their needs for human capital" |
| Outcome | CIPD, June 2007 issue | '.consists of those individuals who can make a difference to organizational performance, either through their immediate contribution or in the longer term by demonstrating the highest levels of potential." |

All the above definitions primarily refer to an outcome, then to a process, and third to a specific decision. Thus, the terms in the talent management debate – which centers on the effective management of employee talent – are not clear and confuse outcomes with processes with decision alternatives. According to Silzer & Dowell (2010), in organizations *talent* can refer to:

1. An individual's skills and abilities (*Leadership talents*) and what the person is capable of doing or contributing to the organization
2. A specific person (*he/she is a Key talent, talent* , usually implying he/she has specific skills and abilities in some area) or
3. A group (*core and support talent* ) in an organization

In groups, *talent* can refer to a pool of employees that are exceptional in their knowledge, skills and abilities either in a specific technical area, or a specific competency, or more general areas. Moreover, in some organizations "the talent" might refer to the entire employee population, which is what the relatively new and somewhat murkily defined HR sub-functional category of "talent management" has been aimed at (e.g., Lewis & Heckman, 2006, Silzer & Dowell, 2010a). Many companies now have multiple talent pools, beyond their High Potential pool (Dowell, 2010; Byham, Smith & Paese, 2002).

Thus putting all together, "……*Talent Management can thus be defined as a business philosophy and principle which helps an organization to understand their business strategy and there by integrating a set of process, program and cultural norms in an organization and implemented to attract the talent and thereby, recruit, ripen, reward and retain the talent to achieve the organization strategic objectives and meet future business needs…"*

## Strategic Partner

As the organizations mature, HR practices also mature. The HR function is at three different states in its evolution cycle where it starts as a Business Function, becomes a Business Partner and then a Strategic Partner as shown in Fig. 2

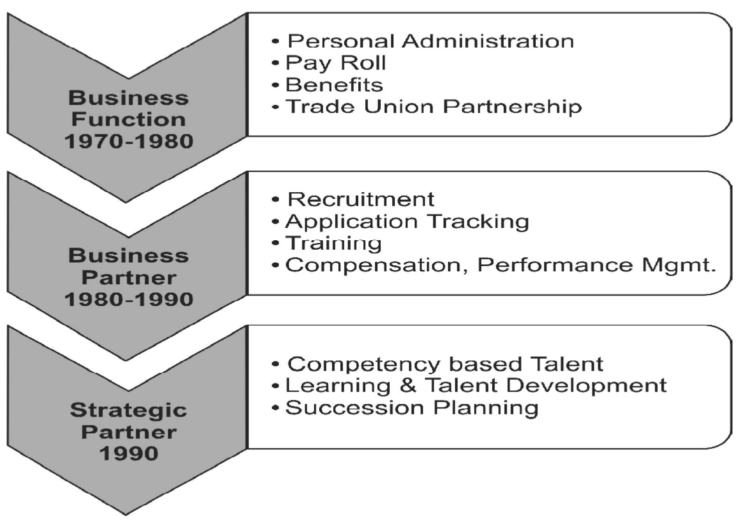


**Fig.2 : Evolution of Strategic HR**

In each of these cases the role and impact of the HR department becomes progressively more strategic in nature. At higher levels of maturity, the HR function can add tremendous value to the leadership potential, top-line, bottom line and long-term sustainability of the organization.

## HR as a Business Function

At the very least, when an HR function is available in an organization, it is responsible for managing employee data, takes care of payroll, time and attendance and the setting of company policies. The role is largely of Personnel Administration focused on Compliance both internal & external, and on Management of employee records.

The *tools that the HR requires* are related to management of employee data and include a basic HRIS, Payroll processing software, and Time and Attendance systems. In most cases, paper based employee files are the only source of employee data which are managed by the Personnel Administration department of the organization.

## HR as a Business Partner

As a Business Partner, the role of HR is to meet the "existing business needs" of the organization so that the organization could grow at a measurable rate. At this stage of evolution, the focus of the HR shifts to competency based Recruitment, Total Compensation, Employee Development, Communication and Organization Design. The HR function helps in formalizing the organization structure (who does what and reports to whom). Once that is complete, the next role is that of identifying the skills necessary for different job roles. HR further helps in defining appropriate training programs that are necessary for developing these skills, recruitment techniques to evaluate the skill levels and benchmarking the skill database against industry standards and competitors.

Total compensation (payroll and benefits) also becomes a focus area where the HR helps the organization attract and retain skilled employees by becoming a leader in compensation management. Using the skill database and the organization structure, the HR function iteratively evolves compensation practices, improves the training function and makes the recruitment function more attuned to the skills needed by the organization.

To facilitate the above functionality, *HR uses tools* such as Applicant Tracking software's for recruitment, Employee Portals for communication, Self Services for employee's empowerment, Learning Management Systems for training & development and an Employee Database for capturing employee skills & competency profiles. Organizations even have well defined Job Descriptions with details of qualifications, experience, special skills required for the job and job roles & deliverables for each job position.

## HR as a Strategic Partner

Organizations that view their HR as a strategic business partner believe in full maturity of their HR function. Such organizations are focused on attaining leadership positions rather than a year-on-year growth. Bottom-line and top-line growths are expected to be achieved automatically.

At this level, HR becomes responsible for identifying core competencies necessary for their organization to attain leadership position. Further HR facilitates in

- Aligning employees to a common sets of objectives derived from the mission and value statements,
- Mitigation of risk by devising appropriate Succession Planning Strategies,
- Identification of top-performers and non-performers,
- Continuous measurement of the effectiveness of leadership and employee satisfaction,
- Increasing employee engagement through appropriate measures,
- Aligning compensation to performance,
- Adjustment of recruitment and training to competency gaps, and
- Specifying well-defined Job Descriptions which map to the organization structure. These become the basis of Recruitment, Goal Setting, Training, Performance Evaluation and Career Development.

As a *strategic partner HR* uses a variety of automation tools for Learning Management, Performance Management, Compensation Planning, Recruitment and On-boarding, Succession Planning, Alignment and Employee feedback.

The largest benefits accrue when employees are encouraged to use these tools as a routine practice at their work place. An integrated view of employee's life cycle in the organization is visible through appropriate dashboards which are available to the decision makers at all levels in the organization.

## Talent Management Model

Talent management must not just coexist with many other organizational programs and systems but also support and coordinate with them. It must be driven by the business strategies and in turn help drive business results. The business results should then in turn influence setting new business strategies and talent strategies. The business results in many organizations are used as a broad outcome measure of whether the talent management effort is effective.

The PwC's 15th Annual CEO's Survey relieves the following facts:

Talent Constraint Vs Cost Impact:-

1) 43% said that their talent-related expenses rose more than expected.
2) 31% said that they weren't able to innovate effectively.
3) 29% said that they were unable to pursue a market opportunity.
4) 24% said that they have cancelled or delayed a key strategic initiative.

5) 24% said that they couldn't achieve growth forecasts in overseas markets

6) 24% said that they couldn't achieve growth forecasts in the country where they are based.

7) 21% said that their production and/or service delivery quality standards fell.

Base: All respondents (1,258)
Source: PwC 15th Annual Global CEO Survey 2012

**High Talent Remains Top Priorities:**

1) Strategies for managing talent:-

   a. 21% said that there *won't be any change* in their strategies for maintaining talent.

   b. 55% said there *will be some change* in their strategies for maintaining talent.

   c. 23 % said there *will be a major change* in their strategies for maintaining talent.

2) Organizational structure (including M&A):-

   a. 26% said that there *won't be any change* in their organizational structure.

   b. 50% said there *will be some change* in their organizational structure.

   c. 22% said there *will be a major change* in their organizational structure.

3) Recruiting Local Talent:-

   a. 70% said that they plan to primarily recruit local talent wherever we have market needs and 19% said that they plan to move more talent across borders to fill their market needs

   b. 67% said that they plan to develop and promote most of our talent from within the company and 24% said that they plan to recruit more experienced talent from outside the company.

   c. 53% said that they plan to move experienced employees from their home market to newer markets to circumvent skills shortages and 16% said that they plan to move experienced employees from newer markets to home markets to circumvent skills shortages.

Base: All respondents (1,258)
Source: PwC 15th Annual Global CEO Survey 2012

**Bridging Talent Gaps:**

1) 38% said that in three years we will have made significant technology investments specifically to circumvent skills shortages.

2) 32% said in three years we will have partnered with other organizations specifically to circumvent skills shortages.

3) 22% said in three years we will have acquired other companies specifically to circumvent skills shortages

4) 14% said in three years we will have moved operations because of talent availability.

Base: All respondents (1,258)
Source: PwC 15th Annual Global CEO Survey 2012

**Recruitment & Retention:**

1) 43% said that it become more difficult to hire skilled workers in their industry and 12% said it's less difficult.

2) 55% said that they face the *greatest challenges with regard to recruitment and retention* of *High Potential Middle Managers* w.r.t *Emerging Market* and 50% w.r.t *Developed Markets.*

3) 35% said that they face the *greatest challenges with regard to recruitment and retention* of *skilled production workers* w.r.t *Emerging Market* and 31% w.r.t *Developed Markets.*

4) 32% said that they face the *greatest challenges with regard to recruitment and retention* of *younger workers* w.r.t *Emerging Market* and 30% w.r.t *Developed Markets.*

5) 35% said that they face the *greatest challenges with regard to recruitment and retention* of *Senior Management Team* w.r.t *Emerging Market* and 21% w.r.t *Developed Markets.*

6) 13% said that they face the *greatest challenges with regard to recruitment and retention* of *overseas unit heads* w.r.t *Emerging Market* and 21% w.r.t *Developed Markets.*

Base: All respondents (621; 637)
Source: PwC 15th Annual Global CEO Survey 2012

The end result of the survey had clearly relieved/ shows that it's difficult address the skills shortage (only 12% of the CEOs said they're finding it easier to hire people in their industries) with their existing strategies and thus why we are in the need of a comprehensive strategic model as shown in Fig.3 which improve the ability to attract and retain the right people with quantifiable impacts on the company's growth.

## Model Explanation

The business results in many organizations are used as a broad outcome measure of whether the talent management effort is effective or not. To be consistently successful, a company must identify the right strategies to achieve its business goals and execute these strategies better, faster and more efficiently than the competition. The Talent Management framework model in Fig 3 shows the relationship between the strategies, capabilities and results.

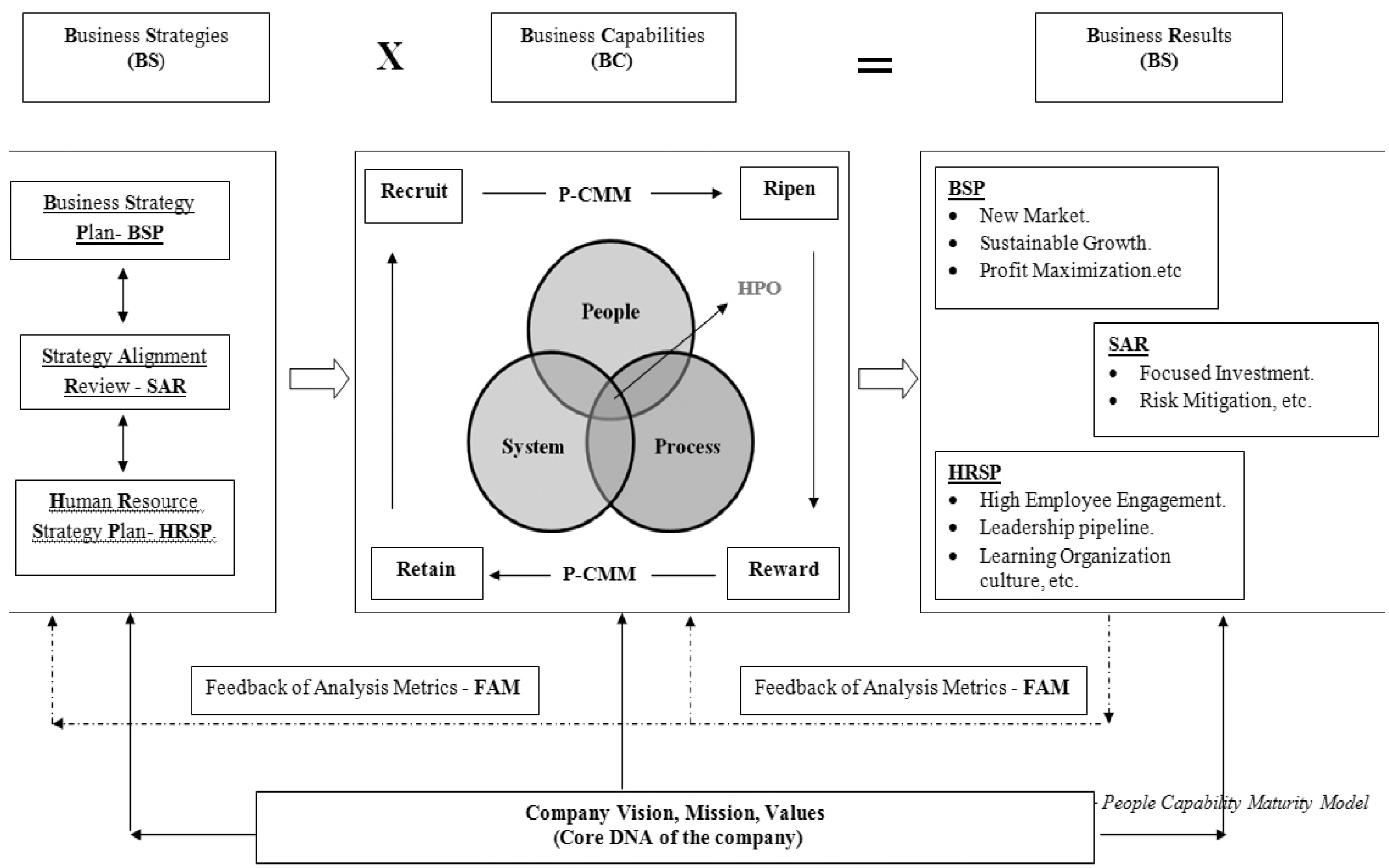


**Fig.3 : Talent Management Model to deliver Value**

**Business Strategies:**

In most organizations, there is widespread understanding of the company's business strategies and a strong focus on achieving them. Due to increased competition and limited financial resources, organizations are making tough choices on where to invest those resources and which strategies and market to pursue. Organizational functions have had to demonstrate that their structures, processes, initiatives, and people are aligned with a clear set of business objectives. Anything that does not clearly and directly support those strategies should not be considered or it has to be aligned (*SAR*) with the core strategy. Like other functions, HR has had to become much more strategic, and at the center of that effort is the strategic role of talent management.

**Why HR Strategies should be aligned with Business Strategies?**

Clear organizational attention has been given to translating business strategies into human resource and talent strategies. Increasingly these efforts include establishing an HR or talent brand for the company, establishing company values and an aligned internal culture, and building the broad organizational capabilities and competencies needed to achieve business objectives. Where a recent research says that more than 75% of HR work hours are spent on administrative transactions (PwC HR activity analysis, March 2010), further McKinsey's global organization structure data base and a work by the Saratoga Institute; separately found that less than 2/3$^{rd}$ of all HR directors report directly to the CEO/ Top Management.

**Declining Impact:**

1) 58% of the Line Managers & 25% of the HR professionals had agreed that '*HR lacks capabilities to develop talent strategies aligned with business objective'.*

2) 60% of the Line Managers & 51% of the HR professionals had agreed that '*HR is administrative department and not a strategic business partner'.*

3) 38% of the Line Managers & 30% of the HR professionals had agrees that *'HR relies too much on best practices- some of which are inappropriate-when designing system'.*

4) 64% of the Line Managers & 36% of the HR professionals had agreed that *'HR is not held accountable for success or failure of Talent –Management initiatives'*.

5) 47% of the Line Managers & 38% of the HR professionals had agreed that *'HR lacks authority/ respect to influence the way people are managed'.*

6) 36% of the Line Managers & 58% of the HR professionals had agreed that *'Talent Management is viewed as responsibility of HR'.*

7) 58% of Line Managers & 58% of the HR professionals had agreed that *'HR doesn't provide enough support to the line managers'.*

Source: The Mckinsey Quarterly, 2008, number1, pg 50-59.

The process of aligning HR strategies with business strategies can be complex and challenging, particularly if HR efforts are only considered after the business strategies are already set. Many argue that HR needs to be involved in setting the business strategies as well (Beer, 1997; Ulrich, 1997). Lawler (2008) goes further and argues that talent strategies are business strategies. Numerous people (Gubman, 1998; Sears, 2003) have outlined how business strategies can be translated into human resource and talent strategies. Gubman (1998) also suggests that the "lead" talent management practice may change depending on the business strategy or "strategic style". For example, he recommends a "selection for fit" approach for a customer strategy and a "performance - based compensation" approach for an operations strategy. Being aligned with the business strategy typically means more than just knowing what to do; it also means acting in ways that focus on and advance the business strategy.

**Strategy Choices:**

Organizations face many choices about how they will choose a strategy to align with HR strategy. Basically; these choices can be distilled down to the following strategies as shown in Table 2 :

**Table 2 : Kinds of Strategy**

| Name of the Strategy | Defined | Pros & Cons | Tools Used |
|---|---|---|---|
| **Buy Strategy** | …an organization decides that the needed talent exists outside the organization and must be acquired to realize the business strategy…. | Pros: - Speed, Focus and no "domino effect".<br>Cons: - Expense, Resource intensity. | Employmentadvertising,<br>Job boards, recruiting firms and referrals, etc |
| **Build Strategy** | ….organization commits to training and developing internal talent to meet the needs of the business strategy… | Pros: - Build culture, Known qualities, succession plan.<br>Cons:- Duration, Infrastructure requirement, | University tie-ups·<br>Job rotations·<br>Training & development, etc. |
| **Borrow Strategy** | … an organization determines that the talent gaps must be filled quickly but the duration of the need may be short term or unknown… | Pros: - Cost control, Rapid Response, workforce flexibility.<br>Cons: - Effect on organization culture, Competitive Market. | Contract/ Consultant.<br>Rotational assignments, etc |
| **Bind Strategy** | ….. an organization seeks to keep talent with the organization by rewarding them for remaining for defined periods of time… | Pros: - Competency protection, Knowledge management.<br>Cons:- Expense, Effect on employee morale | Employment contracts.<br>Retention bonuses, etc. |

Source: Strategy Driven Talent Management by Robert E. Silzer and Ben Dowell, Pg. 123 to 131.

Each talent strategy works best in certain business conditions, Perhaps most beneficial is that each strategy complements the others, enabling an employer to use multiple strategies at once, or in succession, as business conditions and strategies evolve. The most important thing is to consciously decide and to use a plan that optimizes the effectiveness of the chosen strategy. The effectiveness of each strategy can be derived by keeping/ visualizing the end business results in mind.

## Strategy Alignment Review (SAR)

In business planning initiatives, decisions are often made at one level of the organization that deeply affect the whole enterprise or, at minimum, specific areas of the organization. Without an understanding of how parts of the organization interact, act, and respond to change, it is impossible to accurately evaluate the impact of your strategic decisions. Alignment review serves as an important step to understand and address the organization holistically (top-down and bottom up). The business ecosystem (Fig. 4) and cultural environment to consider each of the functional areas that are involved with developing and delivering the company's offering to the marketplace.

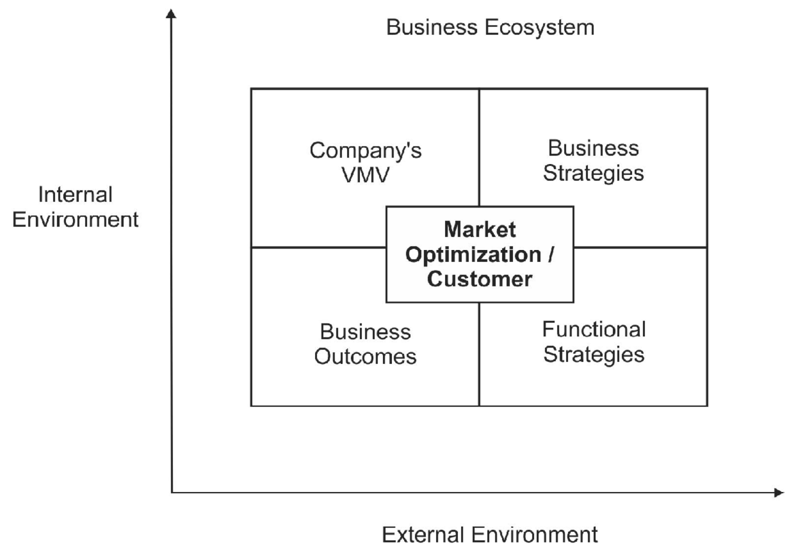


**Fig. 4 : Business Ecosystem**

For example, should the organization consider its current acquisition opportunity? When used to evaluate acquisitions, the ecosystem forces executives to look for synergies between the target's own activities and the company's current business ecosystem. In the end, alignment review creates a formal assessment of how the business ecosystem operates and more specifically, how decisions within one segment of the ecosystem can impact the entire enterprise or specific segments of the organizational chain. The ecosystem highlights enterprise alignment and individual value within the sphere as important components to the organization's overall success. By understanding the ecosystem as a whole, using the organization's key outcomes (and subsequent supporting projects) can be evaluated based on organizational consequences, risks, and benefits.

## 4R's of Employees Life Cycle

Implementing selection systems that are built on the organization's strategic capabilities and used for both external and internal selection is a critical component to the talent management system. If managers can learn to assess competencies/capabilities during the selection process, they will start to use these skills when assessing their employees for development and potential. The recent research from Mckinsey reviles the following obstacles to the good talent management process.

**Obstacles:**

1. 59% of the respondent said that *'senior managers don't spend enough high quality time on talent management'.*
2. 48% of the respondent said that *'organization is siloed and does not encourage constructive collaboration, sharing resources*.
3. 45% of the respondent said that '*line managers are not sufficiently committed to development of people's capabilities and careers'*.
4. 40% of the respondent said that *'line managers are unwilling to differentiate their people as top, average and underperformer'*.
5. 39% of the respondent said that *'CEOs, senior leaders are not sufficiently involved in shaping talent –management strategy'*.
6. 37% of the respondent said that *'senior leaders don't align talent-management strategy with business strategy'*.
7. 37% of the respondent said that *'line managers don't address underperformance effectively, even when chronic'*.

Source: The Mckinsey Quarterly, 2008, number1, pg 50-59

## Recruit

Knowing the organization's workforce plan enables the recruitment of the right people with the right skills and capabilities at the right time. Having a good understanding of the capability requirements of critical jobs and/or job families contributes to the development and implementation of an objective and consistent recruitment and selection process. Getting the right "fit" between a person, the role and the organization is critical to retaining new staff and reducing the time and money invested in the recruitment process.

Recruitment of new staff needs to be well planned, and given the current highly competitive market for well trained and experienced employees, the development of a "talent pool" for the organization is a popular proactive approach. Talent pools rely on numerous different and often non-traditional sourcing strategies, including developing an organizational alumni, inter-organizational replacement / succession plan and offering more flexible working arrangements to attract mature age workers. The below matrixes will helps the organization to align their recruitment strategies better than the earlier.

**Recruitment Matrix**

Recruitment plans must include the appropriate mix of activities and the appropriate level of challenge for the individual. The Center for Creative Leadership (McCall, Lombardo, & Morrison, 1988) asked executives, *"What has had the greatest impact on your development in your career?"* The results were

1) 70% of the respondent *described experiences*
2) 20% of the respondent *described relationships*, and
3) 10% of the respondent *described formal training*.

Many practitioners have used this research to suggest that development plans should include activities from all three areas, with roughly 70 percent of the development plan geared toward experience (projects and assignments), 20 percent to relationships (learning from managers and peers), and 10 percent to formal training programs. Based on the above results we have proposed the Recruitment matrix (Fig.5) with appropriate degree of challenge for the individual when identifying the recruitment activities.

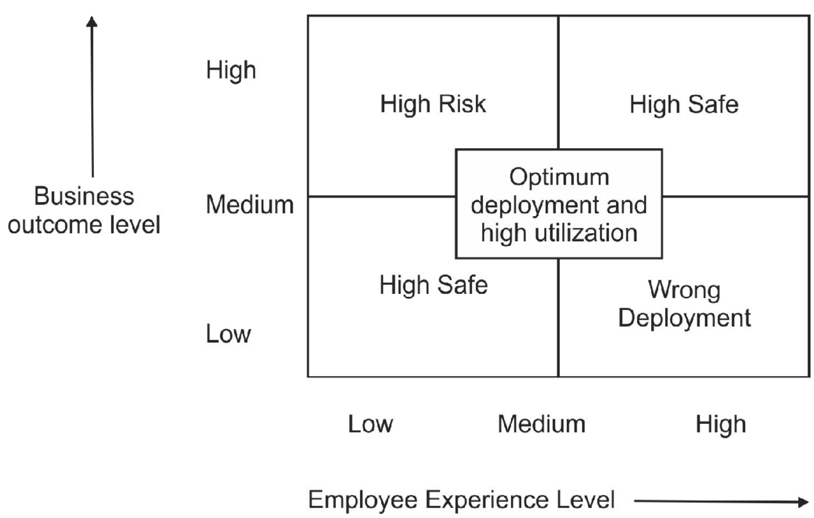


**Fig. 5 : Recruitment Matrix**

When the exp level of the employee is low and the business outcome level is also low then the company is playing / in High Safe zone and the engagement level of the deployed employees/ workforce in this zone will be high and the learning transactions will be high.

- When the exp level of the employee is low and the business outcome level is high then the company is playing / in High Risk zone.
- When the exp level of the employee is high and the business outcome level is high then the company is in High Safe Zone and the engagement level of the deployed employees/ workforce in this zone will be high and the training transactions will be high.
- When the company had wrongly deployed a high experienced employee to the low business outcome then the motivation level of the employee will be reduced and there is chance of high attrition level at this zone.
- The maximum business outcome will be obtained when the companies take a Middle of way approach.

## RIPEN

Knowing the capabilities required for future organizational roles enables group development initiatives to be prioritized and rolled out in an appropriate timeframe. Knowing the capabilities required for future aspirational roles enables the employee to prioritize their individual development needs.

"Effective execution of talent development directly contributes to increased organizational effectiveness and profitability, leading up to as much as 15.4% advantage in total shareholder return"

- (Corporate Leadership Council, 2005)

Tailored development opportunities for key talent are recognized as essential for motivation and retention of these people, and in a skills short market, developing current staff is a more cost effective and efficient means of maintaining internal talent pools. Career development opportunities also have a significant impact on job satisfaction and affective commitment (or engagement) to an organization, of which both directly contribute to the retention of productive employees (Beames, 2001).

Internal talent development needs to offer both key talent (high potentials) as well as core contributors (effective/satisfactory performers) opportunities for growth in order to maintain operational efficiency and productivity. Thus high potential and core talent can be developed in three ways

1) Development through Experience.
2) Development through Relationships.
3) Development through Formal Training.

High potential and core contributors require different development experiences and these should be tailored accordingly for maximum return. Development only takes place if the mode of delivery engages the individual, the content is meaningful to them and can be applied immediately back in the workplace. The lasting impact of the learning is only as strong as the feedback that is provided and it is in this context, that one on one coaching can be highly beneficial to maintain the momentum of any type of development activity.

## Reward

The importance of managing performance is even more critical given the difficulty in finding experienced and skilled staff. By developing people in the areas that require improvement, an average performer can become a superior performer. In addition, focusing on developing a person's strengths has been shown to improve productivity.  A recent research by E&Y reveals that Performance Management is the highest reward parameter / program which should be considered as part of company's strategic talent management solution.

**Reward Programs Vs Strategic Talent Management :**

1) Performance management – 66% of the respondent agreed.
2) Recognition, rewards and engagement – 61% of the respondent agreed
3) Recruiting/on-boarding – 60% of the respondent agreed
4) Leadership development/internal coaching/mentoring – 57% of the respondent agreed
5) Learning and training – 55% of the respondent agreed
6) Succession planning – 49% of the respondent agreed
7) Role and competency design – 39% of the respondent agreed
8) Career mapping – 32% of the respondent agreed
9) Deployment and redeployment strategies – 23% of the respondent agreed
10) Workforce analytics and planning – 22% of the respondent agreed
11) Retirement planning – 18% of the respondent agreed

Source: E&Y, Managing today's global workforce
Elevating talent management to improve business, May 2010,
Base: 340 responses

The most failsafe approach to performance management is to assume that all employees have room to reward, grow and develop, whether in relation to their current role, or in preparation for future roles within the organization. Having a structured, transparent system that allows individuals to be objectively reviewed against key objectives and competency based behaviors ensures that your people are doing what they have been recruited to do, and doing it in a manner that is consistent with the organization's culture and values. Knowing the capabilities for their current role enables the incumbent to maximize their performance in relation to that role and be recognized accordingly through the performance management process.

*"Far too many organizations, and managers within those organizations, still regard the performance review as an annual event that somehow must be tolerated. They do not see the strategic links between this vital HRM process and the bottom line nor do they appreciate the powerful management tool they have at their disposal."*

- *(Nankervis, Compton & Baird, 2005)*

To gain the benefit of an integrated system, data from the person's performance against the role capabilities during the recruitment process, any development activities undertaken since commencement and their current performance levels should all be captured. This allows a holistic view of this individual to be built and then used for future planning purposes, both at an individual level and a group level (i.e. their team, the business unit, the organization).

## Retain

There seems to be little argument that retaining talented people is a good thing for any organization. As if our own common sense wasn't enough evidence to support this position, studies have consistently shown that retention reduces turnover costs, increases productivity, increases customer loyalty and improves profitability (Dresang, 2002).

*"When your top talent leaves, they take with them a lot of knowledge – and loss of the knowledge base is only the start: you also incur the expense of recruiting and training"*

- (Perry, 2001)

Other performance indicators such as quality standards and efficiency also benefit from having a proactive retention strategy. When considering what an effective retention strategy might look like, again the research supports our intuitive judgment in that career development opportunities lead to job satisfaction, affective commitment and intention to stay (WRDI Institute, 2005). Those organizations that are providing high quality leadership development programs and formal succession management plans are also showing improved business results. (Bernthal & Wellins, 2006).

Often organizations adopt the '*hit by a bus'* strategy to succession planning, where they consider that they have a plan once they have identified who will step into key leadership positions if they become vacant, and, of course, critical roles should feature in any retention strategy. The enduring organization needs to have an effective succession management program in place, including a particular focus on the continuity of key specialists and leaders (Stone, 2002). A recent survey by CIPD (2006) reveals that

1) Three in four companies reported retention difficulties.

2) Problems increased with the size of the organization.

3) Public sector companies experienced the most difficulties.

Effective workforce planning, however, needs to give consideration to multiple talent pools, not just a few positions identified as business critical. An organization needs to be able to identify its future capability needs and develop a succession management program and retention initiatives in order to engage both its solid and high performers, while molding its workforce in preparation for its future needs based on industry trends and changing market demands.

High and moderate risk roles should receive close attention in terms of current talent pools, potential successors and the level of capability demonstrated by each group. If internal resources are insufficient, an external sourcing strategy needs to be mapped out and implemented allowing an adequate timeline for fulfillment. By paying attention to the career planning and development options of current core contributors and high performers, not only will the organization enhance relevant skills for future needs, but a by-product is the enhancement of the employee's commitment to the organization.

## High Performance Organization (HPO)

Right people, Right Process, Right System, and Sustainable Development reflect the four fundamental aspects of an integrated talent management system which creates HPO as shown in the Fig 6. These activities roughly correspond with the "traditional" talent management processes of staffing, goal management, performance management, and succession management and career development. However, we had tried to make an attempt to link the business execution metrics like alignment, productivity, efficiency, sustainability, scalability, and governance to the 4 core talent management activities of Right people, Right Process, Right System, and Sustainable Development

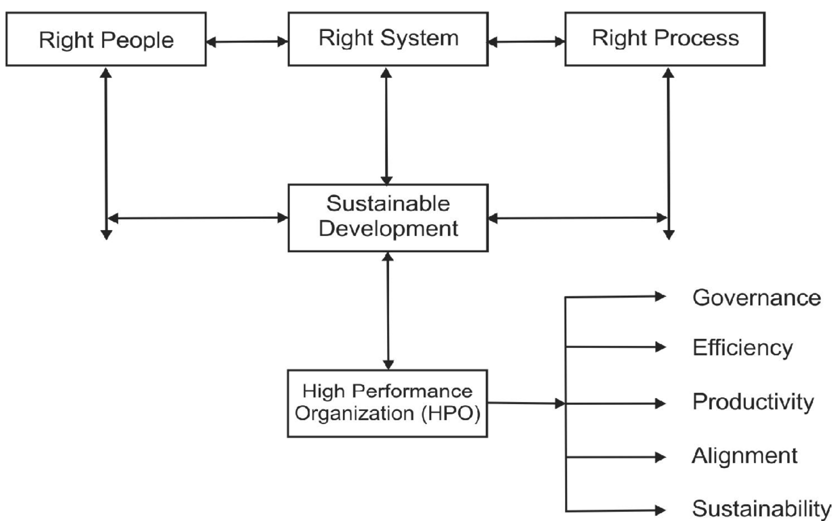


**Fig.6 : High Performance Organization (HPO) Model**

### Creating Alignment (Right System, Right Process):

Alignment is primarily about employees knowing what goals they should focus on and why these are important to the company's overall strategy. The best way to increase alignment is to implement goal management processes/ Management by Objective / Balance Score Card that ensure employees are focusing on the "right things" towards organization sustainable development. This includes making sure employees understand how their actions influence the success of the organization as a whole. Performance management processes that evaluate whether employees are doing things the "right way" may also be relevant for Alignment. This is particularly true if a company is focusing on aligning employees around more general cultural norms and values as opposed to specific tactical goals.

**Increasing Productivity (Right System, Right Process, Right People, Sustainable Development)**

Productivity is directly influenced by performance management processes that communicate, encourage and hold employees accountable for meeting performance expectations (doing the right things the right way). It is also indirectly influenced by ensuring employees are placed in jobs that leverage their strengths and are given tools and resources to increase their performance levels.

**Improving Efficiency (Right System, Right Process, Right People, Sustainable Development)**

There are a variety of methods to increase efficiency. First, ensure the company has optimal staffing levels in different jobs. Nothing undermines efficiency more than under or over-staffing key positions. Second, ensure people are doing things in the most productive manner possible. This requires focusing people on goals that are critical to business success and consistently measuring and improving employee performance. Efficiency can also be significantly improved by increasing internal hiring and promotion of existing employees into key roles and avoiding costs associated with external staffing.

**Ensuring Sustainability (Right development, Right people)**

Sustainability is primarily about managing turnover in key positions through effective staffing, workforce planning, and succession management. This includes hiring and developing people to manage job transitions, as well as managing current employees in a manner that decreases the risk of unplanned, regrettable turnover.

**Creating Scalability (Right People, Sustainable Development, Right Process)**

There are two basic types of scalability: growth to support expanding business demands and "right sizing" to manage shifts in business needs. Scaling to support growth requires having methods to rapidly recruit external talent and get them up to speed to take on new roles. Scaling to support shifts in business needs requires having methods to reallocate staff based on changing workforce requirements (this is also about right people and right development), and if necessary, having tools to guide intelligent downsizing decisions that take into account employee performance contributions (making staffing decisions based on who is doing things in the right way).

**Governance (Right Process, Right People)**

There are two primary types of governance: governance focused on complying with government or contractual laws and regulations, and governance focused on discouraging employees from taking excessive risks or engaging in counterproductive activities. The former tends to emphasize the use of fair and appropriate methods for staffing positions and evaluating performance. The latter tends to emphasize methods to communicate and measure core performance expectations and standards.

## Conclusion

*Don't judge each day by the harvest you reap but by the seeds you plant – Wilbur*

Given the increasing level of interest and significance associated with the concept of talent management in the business world, it lacks clarity in definition, and approach. This paper has extensively scanned through the existing body of knowledge, and suggests a practical model that sees talent management through a strategic lens, which can help in building a High Performance organization (HPO). This framework / model also provide metrics to measure the impact / effectiveness of the model.

For an organization to fully tap the potential of their internal talent, they must first identify those positions within the organization which have the potential to differentially impact on overall performance. The proposed framework to talent management systematically helps in identifying these key impacts contributing to the organization's sustainable competitive advantage, and there by developing the talent pool / creating a High Performance Organization (HPO). This model goes beyond the conventional approach in understanding the strategic significance of talent management, and advocates the need to take a proactive step in training and developing the workforce, bridging competency gap, and also helps in inculcating a culture of learning.

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