

**THE ARGUMENT FOR A CORPORATE
TALENT MANAGEMENT STRATEGY**

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The Argument for a Corporate Talent Management Strategy

Chapter 1

INTRODUCTION

Business experts believe that most resources available to organizations are limited for various reasons. The financial and natural assets of an organization present a defined amount in which an organization may draw. But, when it comes to the people, employees, and management within the organization they are often identified as a cost of doing business or necessary evil in which to deal. In reality, it is those people, which hold the largest untapped resource available. Many examples of how one individual can make or break an effort is demonstrated daily in the news we read and the stories we hear of how a single individual can impact an organization either in a positive or negative way.

There exists an opportunity to further tap into the human aspect of the organization through an organized, strategic effort that incorporates the traditional human resources elements of recruitment, retention, performance management, and rewards. Such a singular effort provides a valuable, cost-effective, yet measurable return on the programs provided by an organizational Human Resources effort. The desired outcome of such a program results in measurable organizational performance that translates into further economic return or profits. This is now better known as a Talent Management Strategy.

The Talent Management approach to Human Resources Management is considered to be the next popular effort to managing the human element of an

organization. It is this thesis that intends to define and present the elements of a talent management program that results in such returns and thereby a valuable strategy for the organization.

STATEMENT OF THE PROBLEM

The practice of Human Resources has traditionally been described as a series of service offerings that are not connected to a single outcome, but instead addresses the applicable business matters related to managing the people of the organization. Although in recent years, Human Resources (HR) has focused on various functional areas that were earlier established by the creation of labor relations, then the practice of personnel administration. These functional areas dependent upon the organization, may be practiced either by specialists within the HR function or by what is defined as a “generalist”, who may practice all of the elements of human resources when the need arises.

Under these circumstances elements of the Human Resources function include recruitment, compensation, benefits, training, payroll, organizational development, job classification, and employee relations. Although HR practitioners have attempted to connect these efforts around a single strategy, it has been more difficult to tie such efforts to the financial wellness of the organization. Now organizations seek Talent Management to find that link to organizational outcomes.

Before such a program is designed and implemented, there are several issues to be raised. First, how does the organization tap into those resources that lie dormant within the individual while addressing the individual needs of the employees? Next, how will this new approach bring bottom-line results to organizations? And lastly, how different is it really from the way human resources functions are already operating to date?

A continuing challenge that is understood is that regardless of the structure or intention of such programs, they should still address the inconsistent nature of human beings. The problem also exists in motivating employees based upon individual needs and requirements. Therefore, the same approach to individual performance will not work for all employees. So what theme should be utilized in the Talent Management strategy?

In search of the answers to these questions, research has been used to include accepted texts within the field of Human Resources. The utilization of more recent texts by thought leaders in the evolving field of leadership and human development have been used to bring about a more rounded understanding of this subject. Currently, the Society of Human Resources Management (SHRM) has been identified as a source of best-practice information in which practitioners of Human Resources develop and share a wide variety of subjects within this field. Other research concerning this subject includes the human resources consulting industry that specializes in the fields of recruitment, organizational development, total rewards, and leadership

development proven to be valuable for case study and return on investment projections.

Scholarly work has also been underway by various universities and privately funded organizations in pursuit of research to establish measures in which such programs may be evaluated. Most recently the focus on various reporting mechanisms to be used to share information with shareholders and stakeholders as viable and measurable resource concerning Talent Management programs has been used. This thesis intends to present basic formulas of measurement that is meaningful to stakeholders and validate the use of Talent Management.

PURPOSE OF THE STUDY

As with many business trends and emerging approaches, some become an important evolution of management practice, some just a passing fad or trend in the ever-changing landscape of business. Talent Management has yet to prove itself as that business practice from a generalized perspective that in lies the purpose for this attempt to present a reasonable argument for the implantation of such a program.

Therefore, the purpose of this study is to research if there is a place for the Talent Management Strategy within the organization. If it is of value, then what measurable results affecting the organization's bottom line should emerge? Efficiencies in process and optimization of both financial and human resources should also present themselves.

Two distinct elements of the purpose may be used when considering whether a Talent Management Strategy is a credible topic to research. The first is the new direction for the field of Human Resources, the second being the continued need for a competitive edge for organizations to beat the competition.

As discussed earlier, Human Resources has found itself at a cross point of opportunity. One side is the traditional thoughts of Human Resources as being an administrative effort that can be easily outsourced or replaced by technology. The strategic value of Human Resources within an organization will prove its place at the decision making table. But, the intangible value of Human Resources in contributing to the bottom line has been used to the point of doubt within the minds of CEOs and boards. It is possible that a Talent Management strategy is that next opportunity for Human Resources to prove its value.

This value is at the mere basis of the profession as being responsible for the human elements of productivity and performance in relationship to the related costs of employees. Should Human Resources facilitate the programs in which to optimize these costs, or at times considered investments, then HR becomes more than an administrator, but instead a manager of assets. These subcategories of Talent Management could prove to be the means in which the value emerges. The recruitment, retention, rewarding, development and performance management of the workforce thereby becomes that investment in people that can yield actual returns.

IMPORTANCE OF THE STUDY

The importance of this study comes in the wake of business organizations seeking to optimize all available resources including natural, financial, and human in order to bring the highest level of profitability and shareholder value. The implementation of any new program, regardless of what department or division, requires additional resources to act as an investment with hopes of it returning even more increased value to the organization. Unfortunately, many human resources practitioners find themselves the victim of fads and trends within the human resources field for the sake of being “cutting edge” or merely keeping up with the popular trends.

Since there exists a cloak of what talent management really is, let alone what benefit it holds, it is important to evaluate the costs and the benefits associated with such programs.

Throughout the training and organizational development fields there exists a largely accepted belief that since these programs are associated with people and not other resources or assets, there simply isn't available measurement to determine if benefit can be measured. The establishment of some form of blind faith in a “people program” being a benefit to the organization as a whole is simply no longer adequate.

The other side of this issue is the employee. At the time of this writing, less focus on the attraction, development, retention, and rewarding of employees seems to be of major concern as unemployment rates remain higher than past

years. As of July, 2004 the unemployment rate is 5.7% (U.S. Department of Labor, Bureau of Labor Statistics, <http://www.bls.gov>).

But, as the workforce changes in how it looks, acts, and demands, and workers continue to enter and exit the workforce, a new approach in which how organizations manage these changing opinions will be one of the most important competitive edges available to organizations in the near future. Considerations such as the introduction of new technology, increased productivity, and even the export of jobs overseas, affect the relationship of the employee and the organization in new and different ways. In the center of this turmoil will be the human resources professional who must learn new skills to include the ability to validate such programs in financial and benchmarking terms, the capacity to sell the idea to senior management, and the consulting of line managers as they struggle to see value in such approaches. In addition they must have the capacity to engage the employee towards partnering with management by being flexible to such changes and to embrace this new pact between employer and employee.

But before it all, and the final measurement is taken, the argument must be presented. An argument that will appeal to the CEO who seeks greater value to all, the CFO who wants to see the financial rewards, and the board of directors who can see the strategy benefiting the organization as a whole. It is this argument that will help determine if such a program is of value.

SCOPE OF THE STUDY

In order to properly evaluate the depth of this subject, research in the areas of both traditional and recent trends in Human Resources Management will be called upon to evaluate the applicability of the thesis. As an alternative perspective, the discussion surrounding the relatively new subject of human capital return on investment and human resources metrics will be included to introduce mathematical and analytical discussion to this subject. Case studies, economic theory, and estimated projections of talent management strategies will be studied and discussed.

The scope of this study will include the aspects of an effective Talent Management Program. The elements will include the examination of the benefits, measurement and reasons for implementing such programs. The facets of Talent Management to include, the organization's culture, the employment value proposition, recruiting strategy, leadership and employee development, motivation, retention, and rewards, and the concept of redeployment of existing human resources including a focus on ascension rates and succession planning. Lastly, the discussion of the Return on Investment (ROI), as it pertains to the recruitment strategy, development, motivation and measurement of results. Also, there will be a discussion related to various aspects of the implementation of a Talent Management program concerning responsibility of such programs and the organizational structures beginning affected.

RATIONALE OF THE STUDY

Talent, as elusive as it may appear is a realistic issue. How talent is identified, developed, and utilized continues to be in the thoughts of leaders, but without a measurable benefit, there is little need for such a discussion. But, as the writer explored the background of this program, the question of why was never answered. The human resources profession has become specialized into areas such as compensation, benefits, employee relations, and recruitment. Even in the late 1990's there were discussions of whether specific HR programs should be housed in the human resources department. CFOs were asking if compensation and benefits could be housed in the finance department and recruitment be housed in the marketing department. Now, the message that all elements must be cohesive under one strategic umbrella rings loudly, but no singular benefit has been explained why. As with all aspects of business the business case must be presented. This thesis hopes to create that business case. That the attempt to create alignment of these human resources programs present greater value together instead of presenting them as disconnected efforts for the organization.

DEFINITIONS OF TERMS

Ascension Rate:

Number of replacement hires and hires for new positions as a percentage of the workforce (Fitz-enz, 2000).

Balanced Scorecard

Methodology to analyze organizations based upon four specific areas to include Customer Focus, Process Improvement, Financial, and Learning and Growth. Developed by Robert Kaplan and David Norton in 1992.

Benchmark

A standard unit of measurement used to compare similar classifications related to organizations.

Bench Strength

Employees currently available and prepared for promotion within an organization.

Career Path Ratio

Number of employees participating in career path programs as compared to total employees within the firm.

Core Competencies

Attributes adopted by an organization as being critical in behavior by all employees or members of an organization.

Core Values

Generally accepted principles that reflect organizational culture in which are expected by the organization of all employees.

Employer of Choice

Organizational goal in which based upon the performance and reputation of a given organization, perspective applicants consider the organization to be a highly attractive potential employer.

Human Capital

The total economic value of an organization's employees as calculated as an asset within an organization.

Human Resources Management

The practice of managing the human assets of an organization. Traditionally this function is responsible for recruitment, benefits, performance management, compensation, employee relations and training.

Human Resources Management Systems (HRMS)

Information systems, software, or other technologies that assist in the management of human resources functional areas (See Human Resources Management).

Return on Investment (ROI)

Amount expressed as a percentage, earned on a company's capital or investment. ROI for this thesis is discussed as factor in which human resources programs and initiatives return a projected benefit that is either tangible or intangible.

Skills Database

Information systems, software, or other technologies that collect and manage the skills, experience, training, and knowledge of its employees.

Succession Planning

An orderly process of identifying and grooming people to replace managers.
(Dubrin, 2001)

Talent Assessment

The process in which an individual's knowledge, skills, abilities, education and other valuable attributes are evaluated and measures with regards to organizational value.

Talent Management

An organizational strategy in which its people knowledge, skills, and abilities are measured, developed, retained, and redeployed within an organization in order to achieve organizational objectives and increase shareholder value.

Talent Redeployment

An organizational systemic process in which both human talent and

organizational needs are matched for both short and long-term needs.

Total Rewards

Strategy that incorporates compensation, benefits, and perquisites systemically in order to meet organizational needs.

Leadership Development

Program in which individual capacities related to the creation and development of leadership traits and capacities are identified and developed based upon future organizational needs.

Performance Management

A Human Resources function in which individual employees are evaluated against individual and organizational outcomes.

Mentorship

A relationship between two individuals in which one provides support, guidance, and advocacy in the development of another with the objective of the success of the individual receiving the support.

Employment Value Proposition

The total value of employer of choice, total rewards, alignment of values, and financial success of an organization to its potential applicants and employees.

OVERVIEW OF THE STUDY

In pursuit of this thesis, the evaluation and review of research has been extensive. The starting point for the research was inspired by the book, “*The War for Talent*” (Michaels, Hanfield-Jones, Axelrod, 2001). From that starting point, other resources included works by business thought-leaders in the area of Human Capital and Human Resources, consulting organizations, and Human Resources professionals. Another source of information came by way of the Society of Human Resources Management (SHRM), World at Work (formerly the American Compensation Association), as well as others working in the academic fields. Case studies of successfully implemented Talent Management programs were uncovered by way of the aforementioned sources that provide a rounded presentation of the effectiveness of these initiatives. The writer intends to present this research in such a way that it brings about not just validation of a thesis, but a business case related to the management of Human Resources for both the private and public sectors.

The typical Talent Management Strategy includes various elements that act in unison. The responsibility of such an effort usually lies within the Human Resources and Organizational Development organizations within the enterprise. Although traditionally these groups operate in some form of conjunction, within a Talent Management program, these groups act together in meeting these objectives.

As further defined later within this thesis, the elements of a Talent Management Strategy include:

- **Planning:** This stage of the Talent Management strategy is dedicated towards workforce and staff planning. This is where an organization determines what skills, attributes, and knowledge is required to fulfill the organization's objectives. It is in part of this process that an adequate, but not excessive number of employees placed within each organizational unit are allotted to complete the established goals. This stage also puts into place the basic criteria of where employees are placed and what skills need to be identified or built within the organization.
- **Acquiring:** Once the needs of the organization are identified in both numbers and skills, the plan and process of identifying, engaging, recruiting, selecting, and hiring employees create the next stage. This includes the identification of not just skills and knowledge, but also behavioral traits and demonstrated values that are conducive to the organization and return the highest level of performance.
- **Maintaining:** The employment relationship once established requires a mutual commitment from both the organization and the employee. From the employer, competitive salary, reasonable benefits, and a supportive

work environment that is conducive to high employee performance. In exchange, the employee is to provide a high degree of performance and demonstrated commitment to the organization objectives.

- **Evaluating:** The process in which to determine whether that high degree of performance and demonstrated commitment to the organization objectives is being met is through the ongoing evaluation of both employee performance and the reasonableness of pay and benefits.
- **Developing:** Although the current performance of the employee is adequate, it is also necessary that the future needs of the organization are kept in mind and that current employees are able to meet those needs. The ongoing investment in the training and developing of all employees is necessary to fulfill those future needs in order to continue to be successful in the future. Such investments include functional skills, conceptual skills, and leadership development.
- **Retaining:** It is the combined efforts of maintaining, evaluating, and developing that the retaining of the most talented within the organization should be found. The awareness of the aforementioned elements that success in retaining those employees who make the greatest impact is necessary. The ability to evaluate compensation and benefits against competitive organizations is necessary to retain such employees as well

as offer the necessary development opportunity. Such retention and the necessary elements are also very personal to each employee as each employee has specific needs and requirements to remain with a given employer.

The Argument for a Corporate Talent Management Strategy

Chapter 2

REVIEW OF RELATED LITERATURE

The War for Talent

The review of the necessary literature concerning the applications of Talent Management strategies begins with the earliest discussions from the book, “*The War for Talent*” (2001). This book outlined the necessity of such programs and the elements included in such programs.

The book defined talent as the “sum of a person’s abilities-his or her intrinsic gifts, skills, knowledge, experience, intelligence judgment, attitude, character and drive. It also includes his or her ability to learn and grow”. In support of the book’s research, the authors conducted extensive surveying of business leaders at various levels within large organizations. In 1997, 5,960 individuals were surveyed. In 2000, 6,900 were surveyed. The book addresses the historical and economic impact of the shortages of talented employees increasing over the next twenty years. The authors also argued that the only remaining competitive edge for organizations is in its human resources. The greatest focus and largest impact to the organization is in the identification, development, and redeployment of leadership employees as they constitute a smaller group and easier in which to measure.

This book also addresses the shifts in demographics of the American workforce as well as changes in the attitudes concerning work and the balance of work and life. The overall commentary remains that as time continues a

shortage of the truly talented employees will diminish over time and what organizations need to do in order to remain competitive.

It is recommended that five different elements to an effective talent management program be present in order for an organization to see benefits. They include:

1. Embracing a talent mindset: That organizationally, talent becomes and remains a priority of senior management and considered in all strategies important to the organization.
2. Crafting a winning employee value proposition: That for each employee, feel as if the organization is providing compensation, benefits, development, and opportunity in order to retain the most talented employees. There is also discussion regarding the creation of organizational values and norms that create the necessary attachments to the organization.
3. Rebuilding the recruitment strategy: The application of dynamic and proactive recruitment programs that seek out the most talented individuals within organizations. That such effort not just collects applications, but that the ability to recruit those who would bring the organization to progressive performance levels.
4. Weave development into the organization: The authors stressed the focus of training and development into a culture of the organization. The organization is challenged to make the necessary investments in not just training and educational development, but also the opportunities for

employees to move throughout the organization in order to expand skill sets and create leaders with a wide variety of experiences.

5. Differential and affirm people: This element discusses the application of performance management to talent management. It is appropriate to identify those truly talented within an organization, nurture and develop those individuals while choosing not to develop the bottom 10-20 percent of employees. A popular concept is to focus, both financially and through development, the top 10-20 percent then make contributions towards the development of those in the middle. The classification of A, B, C employees allow leaders to classify such employees and focus on those who will create the greatest impact.

Limitations with regards to this publication define the process in which an overall approach may be taken. There remain recommendations regarding systems and procedures that can be encompassed by the average organization. Regardless, it creates a framework in which the most common elements of Talent Management exist. The basic and traditional elements of human resources as being the following:

- Talent Recognition and redeployment within the organization.
- The engagement and retention of high performers.
- Recruitment of high performers.
- Development of employees with an emphasis on leadership development.
- Performance Management.

Throughout this publication there exists this theme, but research extracted come mostly from opinions or feelings from executives that talent is a priority of an organization, but how benefit was never established.

The Talent Management Handbook

In the book, *“The Talent Management Handbook”* (2004), the authors seek those systems and procedures to align such traditional elements together. Organizationally, all elements exist within a Human Resources department or division. The areas of talent recognition, engagement, and retention, and recruitment exist within the similar lines of the employment division of human resources. Development usually exists within the training and organizational development division, and performance management within the compensation and total rewards division. Total rewards is a newly emerging concept in the field of human resources that incorporates both compensation and benefits into a single element geared to complement retention and performance management. The understanding that employees who are well paid, receive competitive benefits, and are rewarded will bring out the best in productivity and contribution.

Opposite of the book *“The War for Talent”*, we see a systems approach to the introduction of Talent Management. The authors recommend the first establishment of a comprehensive performance management system that is based upon organizational values and based upon a five-point scale.

We see the applicability of three elements believed to bring excellence to an organization. First of which is the Superkeeper focus in the principle concept of the high performing employee. Second the alignment of the superkeepers to key position backups, which introduce the concept of succession planning. The last element is resource classification and investment which defines redeployment as well as development as it pertains to both leadership and employee competency.

It is within *"The Talent Management Handbook"* that we see the introduction of the concept of a core or institutional competencies which are the behavioral skill expectations that are critical to the success of each employee and discussed the various applicability of such common or enterprise core competencies and how they are to be adopted within an organization.

The authors fully address the stages in creating a Talent Management System in which they have incorporated four steps. Step one, develop assessment tools and scales. Step two; develop training and development application tools. Step three, evaluate each employee using assessment tools, step four, prepare actual reports. When developing these steps it was that this particular publication defines Talent Management closer to an employee development standpoint of the organization as it relates to talent, but unfortunately does not address the specifics with regards to assessing the latent skills or capacities within an individual that are not directly related to their current position or the immediate future.

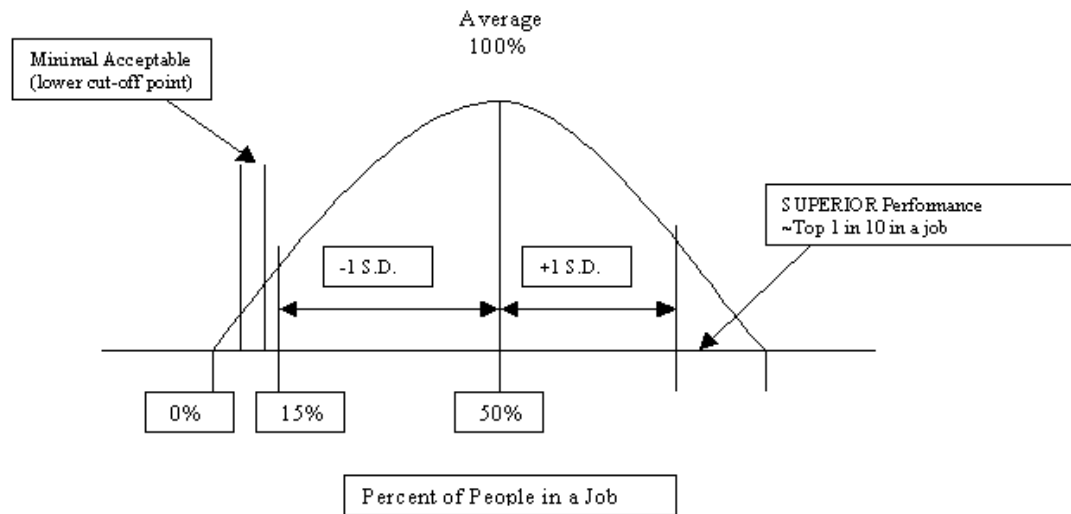
A common element that we find in *“The Talent Management Handbook”* is also addressed in *“The War for Talent”* is the concept of the Employment Value Proposition. In this publication it discusses the Value Proposition to the workforce in breaking out into various subsections. They address it as balancing of work and life, allowing employees to have fulfilling lifestyles outside of the organization of employment and the belief that employees want input with regard to policies and procedures. It further addressed demographics within the organization.

Researchers believe that the initial findings concerning the need for talent management comes from lessons learned from the professional sports industry. It is these employees who move from organization to organization in very short periods of time where in the higher performer or super-performer is higher sought and highly compensated. A common example used is the professional sports team approach to recruitment, retention, and talent replenishment. Instead the application at a lower level within corporate setting is discussed. The belief again being that a super higher performer is worth many times their value versus a traditional employee. The argument is that instead of the democratic approach of management it addresses high performers as truly a uniquely in such a way to optimize their skills.

As mentioned earlier, the concept of competency models also brings to light in this particular publication, there are competency models that are available as the authors indicated. It is usually defined from those basic models of leadership or overall employee expectations. As part of the building such a

model of the ideal employee by using such a tool, one such modeling tool later discussed is the “Leadership Architect” (Lombardo, Eichinger, 2002) system of competencies.

The writer can now initially present the basic concept of how value or the definition of a measurable value with relationship to the return on investment as it relates to talent management system, which is the validity of such competencies and outcomes of performance. It is based upon a multi criteria level in which we discuss the three levels of performance as it relates to optimizing employee outcomes. The three levels being, minimally accepted or below expectation, the average, which is an acceptable performance level and lastly superior performance which is someone who highly achieves as indicated in Figure 2.1.

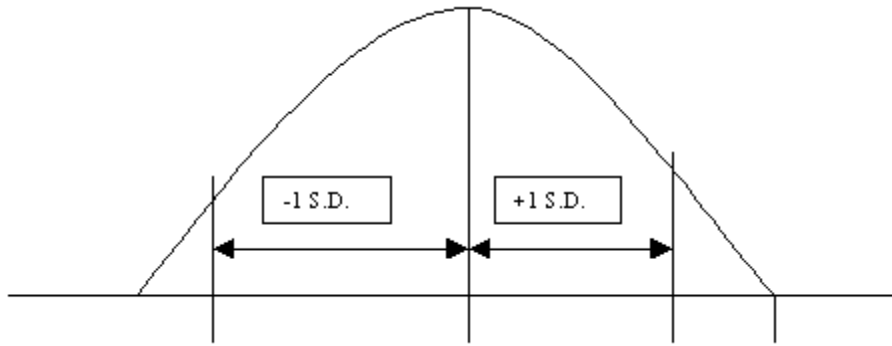


Job Complexity	INCREASED Productivity
Low	+19%=119%
Moderate	+32%=132%
High	+48%=148%

Figure 2.1 Economic Value added by superior (+1 SD) performance (Berger & Berger, 2004)

The introduction of this bell curve by using standard deviation which describes the return of such performers statistically believes to be only 10% of the total workforce. As the bottom 10-15% represents the lower performing employees. The validation studies state that the return on investment in increased productivity being anywhere from 19-48% increased productivity is a direct result, or at least in part due to a talent management. When performance management, compensation, or possible layoffs are an issue, the approach of forced ranking may be used. Such theory allows for a set percentage of the employees to be classified as superior performers and be subject to increased

compensation and employee development. Likewise, the employees identified as minimally acceptable employees receive little to no incentive in either pay or development. In times of layoff or restructuring, these are ideally the employees who are discharged. This classic productivity measurement can be defined or applied to situations such as sales position in which certain employees are seen as a revenue-generating element of the organization. Research has indicated that superior performers who bring increased bottom line results to the organization produce substantially higher revenue numbers. This translates to greater revenue increases by using the same method of measurement that take into account assumptions related to high performing employees as listed in Figure 2.2.



	Mean	SD	Superior (+1SD)
Revenue	\$17.02M	\$12.82M	\$29.84M
Profit Margin	5.60%	5.66%	10.99%
Profit	\$1.32M	\$1.69M	\$2.9M

**Figure 2.2 Branch manager variance in economic value added
Criterion Sample: Average vs. Star (Superachiever) (+1SD) (Berger & Berger, 2004)**

The authors discuss the necessity of a performance management system in the way of appraisals, and other evaluation systems. They introduce several systems including the trait-based, the behavior-based or the knowledge or skill based. It is from these basic systems that performance can be gauged and evaluated against others within the organization. The author recommends that based upon the individual organization and their organizational philosophies is where we see the necessity of the chosen performance management system. Further, the author addresses the approach that is better known as the 360-degree evaluation as it applies to talent management systems. This instrument is applied by using multi-raters within the performance evaluation that includes

subordinates, peers, and supervisors in order to gather a multi-perspective with regards to the employee's effectiveness.

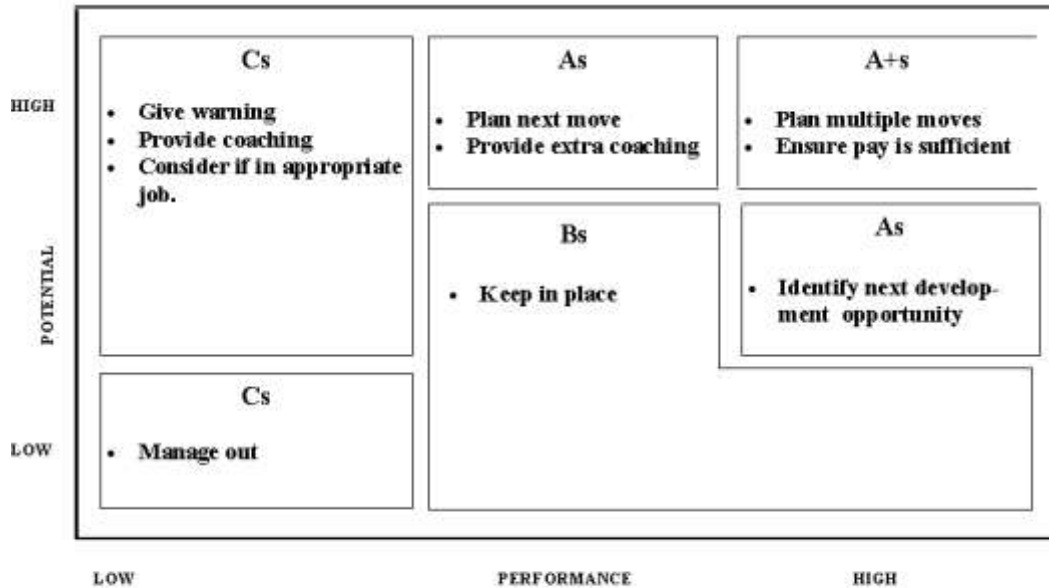
The application of core competencies within an organization is defined by the authors as the core values or behaviors and by introducing the future needs of the organization then assessing the employees to determine the potential as they identify the "crown jewels" of the organization.

As mentioned in the *"War for Talent"*, the authors stress the necessity of the highly effective recruitment process that focuses on hiring the super-keepers or high performers either from competition or by way of various learning institutions in order to optimize the effectiveness of the organization. It is also mentioned that an effective talent management system does not exclude the internal resources of an organization or the external not just for replacement purposes.

The authors continued by describing the necessity of developing talent planning into employee development. Succession planning was addressed by introducing the preplanning stages of what is required as the organization's need changes in order to meet its goals and changes in the requirements of customers and the market place. The availability of talent at any given point of time the second step being the assessment time period once again addressed similar to what we seen in the *"War for Talent"*, the ability to assess what exists and develop the necessary instruments to evaluate the size and the requirements and the capacities of current employees. Once again, the discussion turns to identifying individual needs of groups related to skill or talent deficits compared to

available skills or talent within the work group that can be developed to meet future needs. This succession plan also includes discussions with senior management as to whom they see as the next leaders within their functional areas. The role of the CEO in this exercise is to assist in identifying the top 10-20 managers who hold the greatest potential to hold senior management positions within the organization.

As the discussion related to the development of employees continues, the authors once address the various stages and levels of developing what they describe as, super-keepers, keepers, and solid citizens. These A, B, C, employees require different approaches to management and development as indicated in Figure 2.3. Super-keepers, obviously being investing the most amount of monies and the highest level of urgency. The objective in dealing with those defined as keepers are to obviously maintain a progressive development path. Although solid citizens development plan is to keep up at a reasonable level in order to meet organizational needs at the current competency level.



Performance/Potential Grid

Figure 2.3 Performance/Potential Grids

Concerning the subject of succession planning, development is the necessity of creating a succession culture that each level of the organization identifies the necessity of the succession plan from the board down to junior management. This can be very important especially at the CEO level in order to have individuals for this level exposed to members of the board. To encourage this next generation of CEOs it is important for them to receive exposure and the necessary preparation in order to find future replacements of the incumbent senior executive.

Succession planning is an ongoing and real time process where the outcomes and measurements are required. Along these same lines the compensation should incorporate the development of succession plans such that

those executives who develop and continue in succession planning be rewarded for making such future preparations.

Also, in the realm of total rewards relative to compensation, the inclusion of stock options be used to retain the employee and assign more of a stakeholder responsibility to the organization, the employee will seek to remain with the organization as the potential as future opportunity grows. Such plans include stock options, stock purchase plans, or other forms of ownership equity. Within the subject of diversity, the necessity of talent management incorporates not just the requirements of diversity to reflect the culture in which an organization operates, but also to incorporate a wide variety of other aspects including consideration with regards to women, minorities, and most recently the importance of including multi-generational within the workplace and an effective succession plan reflects this issue.

It is important to understand the necessity of the development of women as increasing numbers of women enter the workforce. Over time, white males will make up a reduced number of the American workforce. This suggests the necessity of introducing women to the succession plan. Special employment value propositions must be offered to women in order to retain these individuals and attract others toward the organization. This includes allowances and considerations for applicable work/life balance and other forms of incentives that can be particularly attractive to women.

Diversity, of course being an organizational initiative must be sponsored from a top down perspective and occurs at each level of the organization. Such

programs not only incorporate ethical, as well as legal compliance, but also incorporate competitive aspects of the organization in order to better serve the customers and stakeholders of the organization.

Development for employees especially as it applies to succession planning should incorporate a series of developmental opportunities. Traditionally, organizations feel that development is incorporated within formalized training. As time progresses it is important to incorporate other forms of development to include job rotation where the individual is exposed to wide varieties of assets and sub-organizations in order to expand the skill sets. Interim and emergency assignments permit an individual to seek out other organizations on a short-term basis in order to meet tactical or other urgent means. Task force assignments involve the individual and loaning to various other initiatives not related to their current position. Education and training, the corporate university being very popular aspect of the corporate climate can make significant contribution to the development. Executive programs and external coursework are necessary for the generalized education of the individual within the development realm. Guided reading of publications and books is an additional strong method in developing employees. Teaching as learning, the opportunity for the individual to teach as part of their responsibilities in the subject that either is or is not related to their professional field. Extracurricular activities outside the organization, possibly in the community allow them to become involved in organizations with other forms of stakeholders. E-Learning, opportunities of web and other technology-based learning allows employees the

flexibility of training during times that is of most convenience for the organization as well as the individual.

The authors also address the concept of compensation within Talent Management. They also support the belief that the highest performing or “Super-keepers” often require a higher amount of monetary investment. These individuals are only 3-5% of the organization and who consistently demonstrate superior accomplishments. The “Keepers” are usually 25-30% of the organization who has demonstrated the leadership abilities. The “Solid Citizens” represent approximately 65% of the organization and meet the expectations of the core competencies and job responsibilities. The “Misfits” often represent the balance of the organization, which clearly do not fit the direction of the organization.

The introduction of “Total Rewards” is necessary so that not just salaries are considered as compensation, but the entire benefits plan. Many times it’s necessary for organizations to seek out what motivating factors of the super-keepers exist. Be it cash rewards, increase in salary or other forms of profit sharing or investment vehicles. Other perquisites including health club memberships, take home cars, and other forms of benefits may be important to individuals based upon that individual’s stage in their career or individual need. Linking Total Rewards, the authors distinguish two separate areas, being membership-based and performance-based. Examples of membership-based could include cost-of-living pay increases and profit sharing, employee stock purchase plans, job training, and life insurance.

Performance-based total rewards can include merit-based pay increases, team or individual bonuses, stock options or rewards, career development, special rewards, or special work assignments.

Finally, the authors address the necessity of implementing information technology that supports the Talent Management Strategy processes. This section discusses the various applications, which include web-based systems as well as client-server based systems that allow automation of the identified processes that support the concepts presented above.

The Leadership Machine

In "*The Leadership Machine*," the authors open by addressing the change underway within the workforce the shortages of qualified leadership within organizations. Significant statistics were given is that one third of the CEOs of the Fortune 500 last fewer than three years. The authors address the four fundamentals of management and leadership development. The first being that the development of competencies and skills that in their words matter and are applicable towards the organization represents the first fundamental. The development of skills and how skills are developed is the second fundamental. And how they are developed and how the organization sees necessary to build these individuals. Next is who is best equipped to learn the skills are the selection portion of talent development. This brings about the selection of the next leaders as previously discussed concerning succession plans. Lastly, what

does it take to make development work? Addressing the necessity of identifying effective leadership development the authors continue in their discussion with regards to leadership competencies and identified four types of competencies. The first of which is the price of admission competency which is important at all levels and all individuals within the organization. The next type of competitive-edge competencies is important, but fewer people are good at those. Competitive-edge competencies are defined as level-driven and possess unique differences between the levels. Competitive-edge competencies are job driven and are unique between jobs. The authors address the necessity of the core competency model in which all individuals possess the necessary four quadrants. They address the cross section of competencies which might be presented as sub-categories which may be higher for one groups for example the necessity of the competency “intellectual horsepower”, being important to individual contributors and managers, but less for executives. Meanwhile, managing diversity would be hire for executives and less for individual contributors and managers. Also, it is important to address the concept of derailment being described by the authors as the competencies in which either are being overused or being used at an inadequate level that introduces trouble for the individual. The authors conclude this portion with relationship to how skills are developed by discussing how they are created individually. They discuss various individuals and how they approach learning. Some individuals are naturally prone to learning while others require other forms of motivation in order to learn and develop. This does not necessarily mean that learners are more effective or

higher performers actually in some aspects they are at least or less effective as other learners.

In the next portion the authors addresses the development from a personal point of view. It addresses the self-reflective analysis of how the individual thinks and recommends a self-journey for the individual to review the individual strengths and weaknesses and from that develop a plan in order to address such weaknesses.

Self-reflection is a recommended evaluation tool developed by the authors entitled the “Leadership Architect”. Also, it incorporates other forms of feedback sources. Role models, coaches, and mentors provide feedback and development for that individual. This approach known as the “360 degree review” process incorporates the basic concepts of performance evaluation, and appraisal, and creating feedback from a development standpoint that can be apart from the performance management system. The authors of this book as well as the authors of the “*Talent Management Handbook*”, incorporate the concept of self-development as it relates to experiences in a wide variety of areas including what they describe as cross-moves or temporary assignments. This was also encountered in the “*Talent Management Handbook*”, which addresses the belief that development is not the result of training alone, but other forms of training opportunities to include experience as well as formal and informal training, reading, learning through institutions, and other forms of learning.

The authors address the concepts of ROI (Return on Investment) as it relates to leadership development. They define that top performers have up to twelve times the productivity of the average performers. Superior sales people sold 123 percent more than the average sales person in one study. This supports the former ROI research that top performers are a significant leverage for the organization and that a smaller, more higher performing workforce, can provide substantially more return than a larger workforce.

The authors next recommended setting a competency-bases system as developing a “success target”, for all individuals within an organization. They suggest several approaches to such systems. The first of which being where the CEO of the organization defines what model of leadership is necessary for the organization. The next would be values-based, values-driven models, which identify the organizational values of the organization and tie that to leadership competencies. The normative modeling approach comes from identifying an organization in the marketplace that has already been successful in which the current organization aspires to become. An additional technique known as internal modeling provides a democratic approach and permits management to define effective leader traits for a given organization. Lastly, alignment modeling includes the alignment of goals, mission, and other forms of measures to competencies that are used enterprise-wide.

An element, which could be contrary to former research, is the number of competencies required to identify the effective manager. While the *“Talent*

Management Handbook” suggests ten or less competencies identified the authors of “*The Leadership Machine*” actually recommends twenty or less.

The authors give an example of the American Compensation Association lists of competencies. They include such competencies such as character/integrity/ethics, communications skills, customer focus, functional/technical skills, etc.

The authors believe that this is a form of cluster competencies and are not specific enough in order for the organization or the individual to address. They state that the competencies required for an organization is based upon the individual and it can include everything from five to sometimes fifty competencies dependent upon the organization and position.

As seen in both “*The Leadership Architect*” and “*The Talent Management Handbook*”, as well as “*The War for Talent*”, the introduction of hiring based upon the competency models is also brought to light. The belief of the alignment and the standard in which all hires are introduced is reinforced.

The authors addressed employee development once again as an opportunity to use various facets of learning, which includes experiences on the job, but also incorporates other forms of learning interventions to include role models, mentors, and opportunities to learn from mistakes. Is it clear that in this publication, as compared to the previous, the authors address the forms of learning as being less specific, but instead look at it from the perspective of the learning opportunity versus the structure or the way in which learning is presented to the learner.

The approach of force ranking employees with regards to succession planning is once again addressed. The authors define those as the “high potentials” formerly described as the “super-keepers”. The suggestion in the development of Talent Pools, are very similar to the “Talent Reservoir”, which using a water metaphor in describing the replacement planning system related to the organizational succession plan. One element that is incorporated in “*The Leadership Machine*” not found in former publications is the introduction of the treatment or retention plan that addresses the necessity of retaining individual high performers. Once again the requirement of meetings with those employees is addressed as the expectations are outlined for the individual and the possible opportunities for them in the future.

Once again the authors as in previous publications address the necessity of developing matrixes of individuals and levels in which they’re prepared to go to the echelon level within the organization. They addressed the split of three levels of performance as being the lowest, the middle, and the highest of performance within the organization.

What is missing from “*The Leadership Machine*”, is the succession planning of the incumbent within a given position who is not eligible for promotion, but have others awaiting to move to the incumbents position.

Within the discussion of development the approach to effective coaching techniques and its’ importance to the development of a leader was also addressed. The publication also discusses the impact of development

opportunities on the job and learning from different jobs and creating the development plans that are related.

An operating plan submitted for the creation of leaders was listed by the authors consists of three imperatives which is a challenging task or person collecting before, during, and after feedback and learning some new things to do for an example of an assignment that challenges individuals.

The issue of learning from experience offered several opportunities, which the employee may benefit. It is learning from jobs as the employee navigates throughout the organization. Learning from role models or mentors was reinforced and how they create an impact within the development of the individual was also discussed. Other popular premises of development to include; learning from mistakes and miscalculations that the trainee makes were also readdressed.

Within the publication, the authors also suggest the concept of elitism, and that the necessity of identifying the truly talented is once again mentioned as previously seen in both *“The Talent Management Handbook”* and *“The War for Talent”*. In this scenario it is the individual manager who identifies the highest performing individual in which organizations will invest. Although, it’s important to invest in all employees regardless of performance level, the authors believe it is necessary to invest greater in the highly talented in order to best utilize those resources and gain the most significant benefits.

Other Applicable Resources

Within the book "*Leadership*", the authors believed the quickest return of investment with regards to a Talent Management System would be in the investment, development, and redeployment of leadership within an organization. It is this element that we see the greatest impact to the bottom line and the profitability of a firm.

Therefore, the greatest investment with regards to such talent management programs should rest within the management and leadership ranks.

Cost is addressed with regard to whether the necessity to hire leaders from outside the organization or develop within. It appears there is equal investment by both hiring internal and external candidates for leadership opportunities. The internal candidate, although costly may be a known quantity, the external candidate may cost more during the recruitment and orientation period, but less expensive overall. Still the issue of the new leader being an unknown quantity remains over time and therein the risk to the organization with regard to the long-term return.

In the article, "*Talent Management: From Competencies to Organizational Performance*", the authors identify talent management as being on the top of organizational priorities. They focus on the necessity of integrating competency development, hiring, staffing, leadership development, and retention plans, into what they describe as a holistic, systematic process.

The authors indicate that the organization is linked to the critical owners of talent being the senior leadership, human resources, and line management that

work together to drive that improvement in performance within the organization that will result in a return on investment in profitability and shareholder value. The necessity of aligning all these aspects of talent management program in order for it to be successful was stressed and identified as a key element of such a program. They identify the four quadrant or segments of talent management which includes; senior role in talent management, finding talent, driving talent to performance, gauging the results of talent management.

This is the prescription for evaluating the talent management program, not necessarily the elements of creating the talent management program. The basic premise of optimizing existing talent first by calculating employee costs by profit. Therefore, the discussion allows that optimal use of existing talent, investment in that talent and retention of that talent is critical.

The authors also described the necessity of addressing total rewards around employees based upon their individual needs. We see the applicability of making necessary working arrangements for Gen Xers, which include telecommuting, temporary assignments as well as part-time and compressed workweeks and the alike. Such programs address the individual needs of Gen Xers who seek work/life balance and flexibility. It is these demands that can be contrary to the needs of the organization and leadership development especially if these individuals are seeking not traditional work arrangements. The authors quote that fewer than 15% of employer even bother to identify the best talent or high potential employees. The authors also state that within most companies only a 10% pay differential between the best performers and the average

performers exist. This of course is contrary to the research presented earlier which indicated that it is necessary that individuals who are higher performers actually be compensated 20-30 percent more than those who are not high performers or even the B (Keepers), or C (Solid Citizens). This would include the requirement that such individuals should be paid substantially higher than current market rate. Therefore, the challenge for the organization is to first compensate at or near the market rate, then pay an additional substantial amount for their highest performers. Lastly, the article's authors present a completely alternative approach in appealing to the employee with the message that the work in which they are engaged serves as a higher order of purpose. This can have some advantage, but is still unable to speak to each individual employee. Also, unless the organizational culture reflects this belief, such an idea could backfire. This approach is similar to comments made in *"The War for Talent"* in that it is the culture and existing leadership presents an even greater opportunity for employee loyalty and resulting retention.

The Human Resources effort of an organization has the challenge of being the advocate for such programs as well as representative of the organization and senior management. Within this facilitator role we see the article *"A New Mandate for Human Resources"*, in which the authors present the consistent question of "Is there a place for Human Resources within the organization?" What role or value to organizations shows Human Resources can act as a strategic partner in their deliver of services? The article transforms itself in addressing not just from a standpoint of Human Resources as being an

administrative or process function, but the strategy of the role it will play. It is clear to this point in the research that Human Resources role in a Talent Management program is purely strategic in that of a facilitator. Facilitating the necessary process of identifying the highly talented and assisting in them in their redeployment through the organization is an obvious role, but not without challenge. The author indicates that Human Resources matters more now than ever and lists as they describe as its intellectual capital of having knowledge being the direct competitive advantage. They also list globalization, technology, and the growth of organizations, which of course include such issues as consolidation and mergers as being a substantial role of Human Resources.

We also see Human Resources as the agent of change. Within the organization to develop it in ways to address customer and shareholder and stakeholder needs. The author addresses the necessity of HR as being a partner in strategy execution that once again addresses it's previously noted role in Talent Management programs. HR is presented as being there to develop the shared need of the employee and the organization within a Talent Management program.

Encompassed within the article the author's list Human Resources role as being the administrative expert, employee champion, and the agent of change can be directly tied to its role in a Talent Management program. Other mentioned aspects including mobilizing the commitment, systems and structures, monitoring the progress, seeking the desired outcome and return on investment are roles identified by the authors for Human Resources which also impact the Talent

Management program. This also support's the authors comments that such programs moves Human Resources from the administrative thinker to the strategic thinker and an opportunity to prove such value to senior management, engage the employee to participate, as well as maintain the momentum of the program.

In the book, "*Competing through Talent: An Anthology*", many of the aforementioned concepts are reaffirmed. The structure of the book is presented as a series of commentaries and articles with relationship to the engagement and the involvement of talent within the organization. An element that has not been discussed previously is the introduction of a technology solution that will collect, manage, and report information concerning development opportunities, skills gaps, and succession planning in various stages. The relationship of Talent Management to technology is represented in Figure 2.4.

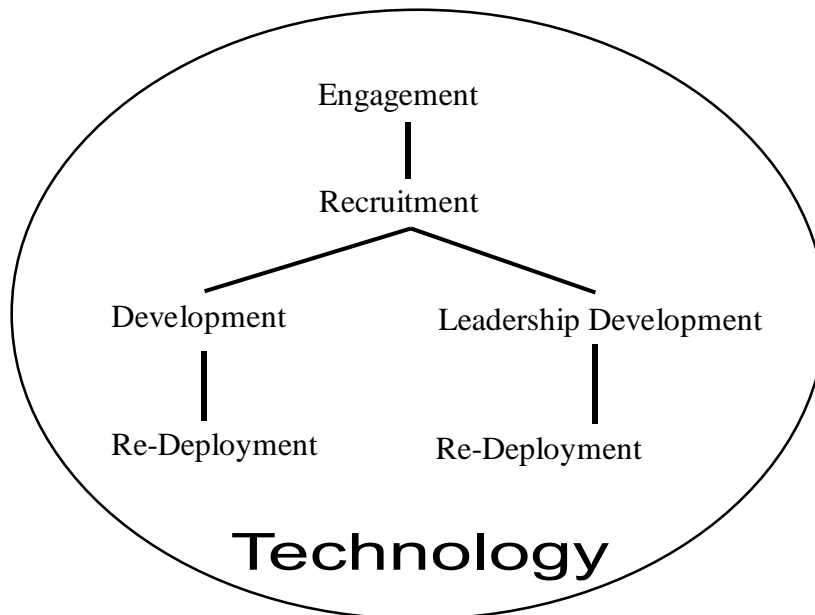


Figure 2.4 Relationship between Talent Management and Technology

The authors also present the phrase “Talent Relationship Management” as being the relationship between organizations with a potential applicant, which can be considered to be the engagement stage of the process. The approach is such that a desired applicant is made aware of the organization and in turn generates interest in the mind of the applicant to apply. This more long-term approach provides an evolving list of possible hires in which an organization may draw. The organization’s role would include identifying the top performing individuals within a given profession or industry, attracting that individual through engagement which is described as the interest generated by the organization for the applicant. An alternative strategy would include establishing the employer as an “employer of choice” which defines the attractability of an organization as it relates to culture, compensation, and total rewards.

The authors also mention the idea of the talent database that includes both internal and external resources to fill needs within the organization in a variety of roles and jobs. The Employer Brand concept is addressed and used to attract the most qualified or most talented applicants.

In the article, “*Human Capital: The Illusive Asset*”, the author attempts to start measuring the human aspects of the organization. In this example the term “Human Capital” is used in lieu of the word talent, which is known to be interchangeable during the course of this research. Within this article the challenge is to attempt to evaluate the worth of the human capabilities of an organization before an effort to measure a program that enhances such capabilities be presented. They define Human Capital as collective sum

attributes, life experience, knowledge, inventiveness, energy, enthusiasm, as its people choose to invest in their work. The key element for this purpose is choose, which could be withheld from an organization. There exists an illusiveness of an asset since it holds not tangible connection. The continued reason for the lack of ability to measure human capital is due to this confusion of what human capital or talent really is. For purposes of this article, they define four quadrants as human (knowledge, educational, vocation, certification, and work-related know-how), customer (customer relationships, brands, loyalty, and license agreements), social (corporate culture, infrastructure, assets, management philosophy, and management practices), structural (intellectual property, patents, copyrights, trade secrets, trademarks, service marks).

Human Capital Return on Investment has also been used as a defense for employee development. Unfortunately, the author fails to connect specific knowledge to a definitive measure. The rationale of the author concludes that there has not been a standard measurement of Human Capital as determined by the Financial Accounting Standards Board (FASB) as well as not been able to establish a process of measurement of human capital with regard to assets and financial resources for the organization.

The research presented above does bring to light the necessity that the knowledge, skills, attitudes, of the workforce will distinguish those companies who are successful and provide the indicated return but as previous research fails to provide the method of measurement. But, the challenge that emerges is ability to convert the necessary data and present it as something that is

meaningful and allow the organization to take the intelligence gathered by employees and shares it with others.

The book "*The HR Scorecard*" presented an alternative to talent measurement from a HR program perspective. These being the HR programs themselves are to be measured centrally instead of the overall workforce. As the writer seeks to determine a single measure or return, it appeared that the HR Scorecard sought to evaluate HR programs from a central point and not from program to program. This holistic approach although effective in evaluating HR departments, failed to provide the solution sought within this thesis. The authors of this book seek to identify ways to extract value from the organization in intellectual capital.

The book attempts to present talent as a concept and seeks to demonstrate how it flows as one of many HR contributions within the organization. This flow starts from the functional level and then onto an enterprise level and eventually produces a form of return on investment. One capability of the HR Scorecard is in its ability to create a pathway where we see the channel in which to introduce a calculation and an understanding of that interconnectivity from employee to enterprise.

As the authors seek to identify a metric the book refers to the first report that came available in 1985, when it was stated that the return of Human Resources programs is best interpret by revenue per employee. Unfortunately, this measure is a simplistic way of presenting the costs and fails to address

individual impact. Although it could be reported as to collectively benefit the organization it does fail to impact the single contributor or work team.

The authors defined the elements of Human Capital as being; Retaining, Planning, Acquiring, Developing, Maintaining, Evaluating, and in turn the basis in which to measure the human capital value added. As indicated in Figure 2.5, the elements interconnect and surround the concept of evaluating performance in order to ensure that a return is realized.

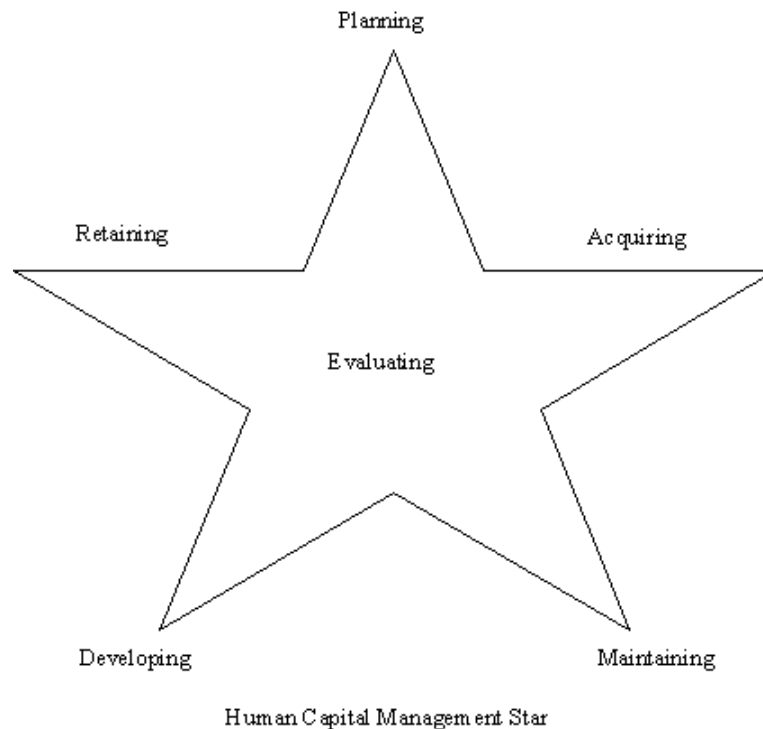


Figure 2.5 Human Capital Management Star (Fitz-enz, 2000)

Similarly, the elements of a human capital or HR scorecard as described by the author include acquisition, maintenance, retention, and development.

The Argument for a Corporate Talent Management Strategy

Chapter 3

METHODOLOGY

APPROACH

The approach to take with regards to the feasibility and argument for a talent management strategy comes by way of the validation of case studies and best practices. In the current state of business publications, there exists extensive information with regard to the application of popularized business practice. The practice of human resources management is not exempt from researchers seeking ways to increase organizational performance.

The approach taken involves the review and analysis of recent review of articles, books, and research reports commissioned by human capital consulting firms. The research contained within such books and publications include surveys of management, employees, shareholders, and other stakeholders of the organization. The authors also researched financial performance data and cross-indexed the results to the survey data which included human resources related programs and system.

DATA GATHERED METHOD

The writer researched journals, business publications, books, and a wide variety of resources on the Internet. The Internet was especially helpful in researching consulting firm research in support of solutions as well as professional journals providing information for members. The sources of such research were blended and included resources that addressed organizational performance as a result of human resources systems, human capital initiatives, and other similar programs. The writer identified accomplished authors in the areas of strategic design, measurement, and return on investment where the findings of such publications were based upon statistical research in order to help validate the findings of this research project. This was conducted by Internet research and referrals from the Society for Human Resources Management (SHRM). During the course of research there existed significant research in support of consulting organizations which were used for marketing services to potential client organizations.

The authors of *"The War for Talent"* conducted surveys of companies that were, at the time, high-performing and had a reputation for strong talent. Some of those chosen had a reputation of managing talent for sometime before the survey, some were very assertive in their attempts to establish talent-based programs, and others were those who found substantial growth and success after implementing such programs.

The researchers of the book spent one to three days at the subject companies interviewing the CEO, several senior executives, the HR executive, and selected high-potential managers within the organization.

Also, research conducted included “*The War for Talent*” surveys used to understand how companies build successful pools of management talent and how they attract, develop, and retain people within their top positions who could be used for future needs.

The survey identified what the top-performing companies do differently from the average-performing companies within the realm of talent management. The researchers defined top-performing companies as those in the top quintile of companies in their industry based on total return to shareholders. They asked managers at each company to complete the questionnaires and asked them about the strength of the talent pool, how they think the company should manage talent, and how the company actually does manage talent. Later, they asked young middle managers the same questions and made comparisons.

DATABASE OF STUDY

The database of research was assimilated from existing research within the various publications and works. When deciding on the research to present, the sources selected were based upon professional organizations and authors whom reputation would present the mainstream of thinking with regard to the subject matter within this thesis. From that starting point, further data was

collected from secondary sources that included organizations that offer Talent Management solutions as part of their product offerings. Although these organizations did not retain the reliability of a university or accomplished business researcher, the data presented supported findings from earlier research.

The database was created with selected briefs of books, notations and articles related to the practice of Human Resources. They were organized within binder systems based upon subject matter and common themes. It was from this exercise that generally accepted principles with regards to the implementation of Talent Management systems were developed. Since there did not exist statistical data in support of this thesis, the data was not prepared in electronic format. Although within this thesis will exist proposed mathematical and statistical theory, due to the fact this concept is relatively and truly untested, there did not exist adequate organizations and resources that could provide such statistical data that could be considered reliable.

VALIDITY OF DATA

As mentioned above, the validity of the data presented comes from the field research conducted by the resources as listed. As presented throughout chapters one and two of this thesis, validity comes due to the extensive body of work as it relates to talent management and the diverse sources that are available to the writer. In addition, validity is further continued in the consistent

messages and themes within the research conducted that spans a wide body of knowledge within this field. The writer decided to use the research from "*The War for Talent*" as primary resources since many secondary sources of research actually referenced the McKinsey research conducted as part of this book.

The institutions also named in the research continue to produce further validity of the data provided. Organizations such as University of Michigan, Penn State University, the Center for Creative Leadership, and Rutgers University all conducted research that was used in this thesis. The validity with regards to the data applicability comes principally from large business organizations. The typical organizational profile included notable Fortune 500 companies in various industries to include energy, manufacturing, retail, banking, dot.coms, information technology, and the military. As indicated, these were organizations with more than 2 billion in sales and had performed in the top quintile or the middle quintile of their individual industry.

Validity, as it applies specifically to "*The War for Talent*" the researchers presented two sets of research that were conducted in 1997 and then again in 2000. Since this publication created an anchor of the remaining research the writer believes that further explanation of their research is required.

In *“The War for Talent”* the authors used the following organizations as subjects:

AlliedSignal	Hotjobs	PerkinElmer
Amgen	Intel	Sears, Robuck and Co.
Arrow Electronics	Johnson & Johnson	SunTrust Banks
DoubleClick	Level 3 Communications	Symantec
Enron	Medtronic	Synovus Financial Corp.
General Electric	Merck & Co.	The Home Depot
Georgia-Pacific	Monsanto Company	The Limited Inc.
Harley-Davidson	Nabisco	U.S. Marine Corps
Hewlett-Packard	NationsBank	Wells Fargo

With such a diverse set of organizations, the writer believes that the applicability of this research would apply to most organizations when introduced. Also, the data as it pertains to the source of organizational research can be universally used between various types of organizations and applied universally. The reason for this assumption is that the introduction of a Talent Management

Strategy incorporates elements that are common regardless of the type or structure of an organization. This is believed that although the research did not include the education, public sector, or not-for-profit arenas, the use of this data is universal since people were the common element. The writer believes that there exists common elements of behavior and leadership expectations that exist among all organizations, therefore the aforementioned research would remain valid as it pertains to this thesis.

ORIGINALITY AND DATA LIMITATION

The research used within the book *“The War for Talent”* included work conducted by McKinsey & Company and incorporated the War for Talent 1997 Survey, the War for Talent 2000 Survey, and the talent management case studies done from 1997 to 2001. Other McKinsey research used included: the Value of Talent, the War for Technical Talent, and the Performance research surveys.

The limitations of the research were due to the researchers conducting primarily with private sector, U.S.-based, large and midsize companies. They did not study firms outside of the United States, startups, public-sector organizations or not-for-profit institutions. Also, the research focused only on executive and managerial talent. Technical and frontline workers were not evaluated as the survey materials did not address these types of employees.

The writer also observed that within all the various research conducted, there did not exist a completely holistic approach to talent management. In many of the publications, the author's defined effective use of organizational talent as a function of leadership development and retention as observed in "*The War for Talent*". Within "*The Leadership Machine*", and "*The Talent Management Handbook*", once again the focus of leadership, the succession of existing leadership, the development of leadership, the identification of leadership was on the forefront. The writer does not disagree that the greatest immediate return on Talent Management initiatives lie within management ranks, but perhaps programs in which all layers of the organization may benefit. After all, the authors of most of the research did indicate that implementing enterprise-wide programs versus selected initiatives best attains human capital return on investment. Also, there existed no ideal organizational structure or model in which the traditional HR/OD function can morph into.

The writer's intention was to identify and present statistical data relative to the success of Talent Management programs. During the course of conducting research, the writer learned there exists very little available statistical data available to argue this thesis. Further, the author realized that although the general practice of talent management is becoming ever popularized, both hard data and an extended source of university research are also limited. It is the writer's still intention to pursue this subject due to the overall lack of human capital ROI data being available regardless and that even such organizations as the Financial Accounting Standards Board (FASB) are to this date trying to

identify measures to use with regard to Human Capital. Also, such organizations as staffing.org, the Society for Human Resource Management, and WorldatWork (formally the American Compensation Association), are attempting to measure this elusive resource with little to show as a result.

Also, the research contained within *“The War for Talent”*, mentioned above as the anchor source of data contains diversified sources of research as it pertains to different organizations, but it is limited in presenting research that included demographic and generational differences. Age, sex, and ethnic background bring new dynamics and perspectives to the definition of effective employees and leaders.

The workplace continues to change, and most of the change points to the entrance of Generation X’ers entering into the workforce. Leadership styles and management philosophy usually comes from a manager’s perspective of the world as well as education and experiences related to people. A table of the existing worker generations represented in today’s American workforce is presented below as are presented as Figure 3.1. Based upon the below generational traits, variances of what defines an effective manager could be different among employees, organizations, and even industries.

Generation Title:	Years Born:	Traits:
Traditionals	1920-1945	Military impression, Values Employment, Greatest Generation.
Baby Boomers	1945-1964	Largest demographic segment, Competitive, High-Driven, Status, titles, etc. Sandwich generation.

Gen X'ers	1964-1980	Pessimistic, work/life balance. Not slackers, but waiting to see what an organization has to offer.
Gen Y'ers	1980-Current	Optimistic, Multi-tasking, work/life balance. Desire to make a contribution to society.

Figure 3.1 Workforce Generational Traits Table

These are challenges within the listed research in believing that all traits collected are universal, but still people are not. As discussed earlier, even without a performance management system that measures true bottom line results from the efforts of a leader or work team, the research may have this one flaw.

But, as introduced in *“The Leadership Machine”*, the establishment of a combination of leadership traits can thereby address the variations of organization, structure, and people. These profiles or competency prioritization would have to be created on a case-by-case basis taking the type of organization, its norms, traditions, and values into account. This addresses the aforementioned issues related to individual organizations, but does not speak to an overall strategy that can be adopted by all organizations.

SUMMARY

The aforementioned publications demonstrate a consistent theme in the process of developing a talent management program from the perspective of developing the various pieces of the plan with a focus of leadership development and the redeployment of current employees throughout the organization.

The writer has identified other resources that identify the necessity of having a talent management program and the needs as it relates to the subjects outlined earlier in this thesis.

The research indicates that there does not currently exist a single solution within talent management that can prove the necessity of creating a program or strategy that supports all of the elements that could be related to talent. But even after reviewing the writing of Jac Fitz-enz, we see multiple formulas that return to the belief that there does not exist a single barometer or measure of talent for an organization. Instead it perhaps lies with a performance index similar to the one presented by Dr. John Sullivan of the University of San Francisco for the purposes of staffing.

It is the writer's opinion that human resources is designed around functional responsibilities does not address the concepts presented within the research, but instead such HR departments should be grouped by a talent management strategy. If the end result is a high performing employee therefore the return on investment will present itself. But, it should also be stated that the higher performing employee be given the correct environment in which to operate. Elements should include supportive leadership and a favorable work environment.

The writer also understands that the possibility that a single event, not connected to a major strategy can reap benefits as well. The hiring of one highly talented employee, the development of a key role, or the right compensation incentive towards one work group can provide a return while being absent of a talent management strategy. But, without an organized effort related to the talent of an organization can only present sporadic and unpredictable return that may not be realized in shareholder value.

Talent management as researched as a complete body of knowledge has proven to be inconsistent in definitions, terms, and elements. In some cases, the writer has seen a simple redefinition of traditional human resources offerings merely repackaged and titled talent management, but without the connecting elements. The writer has overcome this by keeping in alignment all elements of traditional human resources practices into an approach that addresses the desired outcome and return on investment.

As with all discussions with regards to initiatives or programs, a goal, the means in which the goal is to be attained or the desired outcome, and finally measure of whether or not the program has been a success are the criteria in which must be set forth. It is this basic framework that such a system may be set into place.

The common elements of a Talent Management System include: planning, acquiring, retaining, evaluating, developing, and maintaining.

With this basis of elements identified by the research presented, the argument for a Talent Management Strategy thereby takes form.

During the course of the research elements of the various initiatives and systems have been presented by the writer that fuses within the business planning, and establishment of goals and objectives for the enterprise. Common cohesive elements of the human resources and organizational development functions of the corporation have been identified to work closely together as the elements noted above include both functions to work in unison. Although ideally all employees would be included within a Talent Management Strategy, it was presented that leadership personnel be principally identified since the greatest return on investment can be reaped by focusing on these personnel in lieu of others within the organization. Also, the considerable resources of the organization must be dedicated to such initiatives it only makes sense that leadership be first identified and used before others within the organization. It is even possible that there exist two or perhaps three levels of Talent Management; one for executives, one for professionals, and one for other employees.

The Argument for a Corporate Talent Management Strategy

Chapter 4

DATA ANALYSIS

INTRODUCTION

As the writer continues to explore the elements of a successful talent management program there still exists two significant questions. First, if such a series of initiatives are introduced will reasonable returns be realized by the sponsoring organization? The second question being how much return can be expected?

HUMAN CAPITAL VALUE

In order to present a logical approach to calculating the return of such a strategy, the creation of the elements included requires definition. First, Human Capital Value or the value of the “people resources” within the organization must be identified and acknowledged. This is assuming that the subject organization

adheres to the belief that the people of the organization poses value that contributes to the bottom line. This baseline estimate exists as any other capital investment within the organization that is subject to additional investment to make the capital more valuable or to allow it to depreciate overtime. No different is human capital from any building, manufacturing line or factory. It is within management's responsibility to determine whether the investment is worth the return or should the organization instead reap the existing benefits of the capital today and replace it tomorrow. Although this seems without consideration of people, many organizations seek this as the chosen alternative even though it may not necessarily be intentional.

The ability to measure Human Capital Value can be an exhaustive effort and consume much time. Although it is necessary to identify and acknowledge the existence of such a measure, the application of measurement is beyond the limits of this thesis.

ROI OF PROGRAMS

Currently there exist several approaches to measure the Return on Investment for talent management efforts many of them include an index approach thus taking in multiple measurements and combining them into a performance measurement compilation. Such indexes presented by Dr. John Sullivan of San Francisco University, and Dr. Jac Fitz-Enz, founder and president of the Human Capital Measurement think tank, The Saratoga Institute. Both

thought leaders agree that the use of such indexes requires a baseline set of measurements or benchmarks before the use of indexes become useful. This still does not address whether there exists a monetary gain to the organization and related profitability or financial benefit. Therefore, it is the writer's opinion that the application of a financial return on investment based upon a calculated percentage of financial return being assigned directly to the talent management program being introduced.

There does exist substantial elements of the talent management program that are easily measured and monitored for effectiveness. In order to present the proposed formula's to measure such returns, the elements will require explanation.

- **Program Costs:** The program costs incurred as part of the training, development, rewards or other expenses would have to represent the money that must be returned to at least the same amount expended.
- **Additional Employee Costs:** This cost represents any loss of productivity to attend training, bonus, salary increase, or other tangible spending in which the employee would directly benefit.
- **Leader Costs:** This represents the time in which a leader contributes to his/her role in the program. Although the time could be argued as part of the leader's position, there still should be calculation for productivity or loss of revenue resulting from the leader's participation.

In the Book “How to Measure Human Resources” (Fitz-Enz, 2002), Dr. Fitz-Enz presents the following formula for Human Resource Return on Investment as listed in figure 4.1.

$$\frac{\text{Revenue} - (\text{Expenses} - \text{Pay and Benefits})}{\text{Pay and Benefits}}$$

Figure 4.1 Human Resource Return on Investment Formula (Fitz-Enz)

Although this is a simple measure to present the value of people to the organization, it assumes that people are the only contributors towards organization success. It is true that technology, organizational reputation, the customer base, is important elements; Dr. Fitz-Enz believed that these are the result purely of the human element. This could also be used as a “one moment in time” snapshot of the value of people in any given moment with no regard to programs, initiatives, or human resources policy or management. The writer believes that instead a formula that measures an initiative or program is more effective when applying measurement to a Talent Management program. Instead, the writer would like to propose the following composite formula when measuring such human resources programs. This composite formula is indicated in Figure 4.2.

$$\frac{(\text{Program Cost} + \text{Additional Employee Cost} + \text{Leader Cost})}{(.5 \times \text{Increased Market Value}) + \text{Net Cost Reduction of Turnover of High Performers}}$$

Turnover-Cost Formula (Michigan Health System)

_____	Salary
X _____	50% replacement cost for 40 days or average time to fill job
+ _____	the value of eight hours of supervisor time to interview
+ _____	(average staff salary X 50% for the first three months, to account for training and reduced productivity)
+ _____	25% of lead person's (trainer) salary for three months.
= _____	Total Cost of Turnover

Figure 4.2 Composite Formulas for Measuring Talent Program ROI

It is important to note that in order for the mentioned formulas to be effective, there will have to exist accurate and objective performance management techniques in order to identify organizations high performers. As mentioned earlier in this thesis, it is high performers and their subsequent loss to the organization that creates the greatest impact to the organization. Simple turnover is not an adequate measure since such turnover may be the result of performance issues or disciplinary action. Also, the number of high performers as an individual measurement assures that elements of talent management to include recruitment, compensation, and other human resources systems are included in the measurements. Should recruitment, benefits, employee relations, and compensation is ineffective there should be a direct impact to the retention of the high performers.

It is the writer's opinion that an increase of market value should only represent half of the efforts of the employee's efforts. This more than allows for adjustments in the economy, technology advances, or changes in the company not related to the given program. Further, the representation of 25% - 50% allowance of trainer and supervisor time assumes that such personnel will be

partially productive during the time span discussed, thus total allotment to the program does not present itself as excessive.

As included in Appendix A., the Talent Management Program Return on Investment Planning Worksheet demonstrates the various scenarios of investment in programs and returns that could be realized. By focusing on the costs and projected returns, organizations may now pre-determine if such costs are worth initial investment. Further, this tool actually creates conservative estimates of returns, in order to present the most realistic returns to the organization.

This formula continues with the theory that the identification, development, compensation, and retention of the high performing employees within an organization will both provide the greatest benefit to the organization. In addition, this formula also allows for controlling the adverse impact of employee turnover of high performers.

Shareholder value remains an issue and has some elements worth mentioning as it pertains to the formulas presented. Although the enclosed worksheets assume the ability to measure shareholder value during the course of the reporting period, it remains that such value could be instead presented as net profit. Thereby the element contained within the formula remains flexible for organizations that are privately owned. For not-for-profit and government entities, the application of calculations related to reduced cost for unit of service by way of a reduced workforce or some other efficiency would be applicable. As the title of this thesis states, the research and argument presented is for a

corporate talent management program in which shareholder value data is available. The mentioning of this formula for non-corporate entities merely demonstrates the flexibility of the calculations and findings.

One measurement not presented within any of the formulas or measurement includes those related to the value of human innovation. Such innovation includes patents or other intellectual property. The writer assumes that if a talent management program is instituted, an increased amount of intellectual property will be realized although due to timelines involved in the establishment of such property, the impact of a talent management strategy related to such activity may take an extended period of time. As the writer mentioned earlier one approach to such measurement is to periodically make measurement at a regular interval in order to measure the impact on the development of intellectual property.

It may be necessary to present secondary data that supports the fact that a talent management program is effective. Although such data tends to be subjective, it may help to support more fact-based data. Measures concerning increased customer satisfaction, quality, and sales may represent such information. Although a direct tie to the ROI formula is not required, such information if it aligns within the timelines of the Talent Management program may help support its value.

Throughout the research of this thesis the revisiting of data to the basic resources of university, consulting, and human resources practices reinforced the conclusions presented in the next chapter. The data creates a logical path in

which multiple resources coming from such a diverse group of perspectives arrived at the same end. But it wasn't until the presentation contained within this chapter that the writer has been able to connect the practices to an arguable end that connected results to the organization. It is this conclusion of whether the practices within this thesis are reasonable, when a result is realized.

It was the writer's intention to deliver a "rule of thumb" calculation of a typical ROI, but unable to do so as there exists too many factors that drive such a ratio. Such factors may include a very low program cost, but a very high increase of shareholder value would yield an unrealistic return while a high program cost with no change in the number of high performers would deem a program unsuccessful. As various scenarios have been established and tested it is found that the minimum return on investment with conservative expectations and a reasonably functioning human resources program would yield a result representing at least two to three times the cost of the program. The payback calculation concerning the result of investment is an estimated six months to a year after completion of the implemented program.

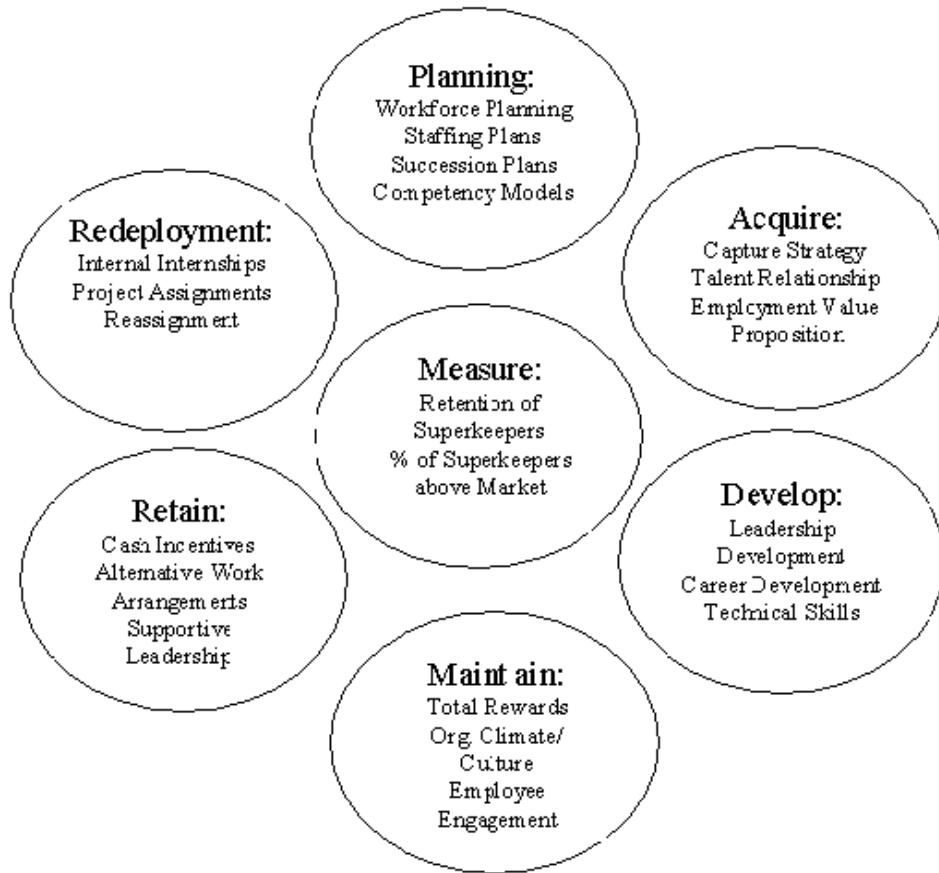
The Argument for a Corporate Talent Management Strategy

Chapter 5

SUMMARY, CONCLUSIONS, RECOMMENDATIONS

SUMMARY/CONCLUSIONS:

Thus far the research, practices, and theory of a talent management program have been outlined. The reasons to implement such a program and the desired outcomes have remained a focus as a key point within this thesis. But, before any element of the successful talent management program is put into place the elements and foundations need to be defined and presented. Taking into account all the research presented and the perspectives identified the following presents a compilation of the elements for implanting a talent management program. The elements of the recommended talent management program are outlined in the following Talent Management Strategy Map as indicated in Figure 5.1.



Talent Management Strategy Map

Figure 5.1 Talent Management Strategy Map

Although the stages of Talent Management have been addressed in earlier discussion, only an overview of the stages was provided. Instead the suggested talent management program will include the following segments and sub-segments.

- **Planning:** As with many aspects of business, planning is a key element to success. Unfortunately, many times inadequate planning assures failure of the desired program outcomes. In order to ensure the success of the enterprise talent management program, the following areas should be addressed.

- **Workforce Planning:** Often confused with the basic concept of human resources planning, workforce planning specifically addresses the future needs of an organization. Typically organizations seemly fill positions based upon a status quo. A vacancy opens, then is filled by similar characteristics as the former incumbent. Future skills needed are identified by way of a slow evolution over time that is only taken advantage when employee turnover occurs. Also, other human capital or talent resources such as outsourcing, contractors, temporary, interns, and volunteers are included in this formula.

The discussion of Workforce Planning should be made on a regular basis, perhaps once to twice yearly. For an effective workforce plan to be developed the following questions should be answered:

1. What skills do our employees have now that continues to be important to our success?

2. What are we doing to optimize the talents we already have within our organization?
3. What skills do we lack in our organization currently that we need to be successful?
4. What skills do we need in the future to ensure our continued success?
5. What changes in the market, our competitors, technology, or other economic shifts will change our organization's talent needs?
6. How will we fulfill such new talent requirements?
7. When will we need such new talent?
8. Will we develop the skills in house?
9. Will we recruit the talent?
10. What other arrangements will we make to fulfill these needs? (outsource, contract, intern, etc.)

Once these questions are answered then the long-term goal of how to recruit, retain, develop, and reward talent becomes clearer.

- **Competency Models:** The creation of the “ideal” employee or manager should start with the traits and characteristics that result in success within an organization. By interviewing the most successful employees of an organization should

give rise to common traits that are found common in these employees. Such competency models allow the creation of a standard that the remaining elements of the system can strive towards.

- **Leadership Competencies:** Just like employee competency models, leadership competencies establish the blend of training, attributes, background, and values that brings success to the organization. As mentioned in "*The Leadership Machine*", it isn't necessarily inclusion of all necessary traits, but the right combination for the given role or position. It is important to note that in the case of both competency models and leadership competencies that not so much adherence to certain demographic attributes should cloud the decisions of manager as this can lead to discrimination and diversity issues when the same models exclude women or minorities.
- **Succession Planning:** One of the few aspects of the planning phase that many organizations believe they must complete, but few do is an up to date succession plan. This frank discussion between senior management identifies

those employees who show the potential for being groomed for the next step within the organization.

Traditional succession plans included only those employees within the organization to be considered as part of the succession plan. But, most recently organizations are seeking external individuals to be part of an organization's future plans. Through effective Talent Relationship Management, known to be an organized ongoing relationship with potential hires, this option enhances the chances of organizations in having a wider choice in those who will lead in the future.

Once the individuals are identified, a gap analysis should be completed to identify the areas of development each candidate has and a plan to provide either training or experiential learning to be prepared for the next step. Many times the succession plan may take a period of a year and include added compensation, benefits, or other incentives to ensure the firm retains the candidate.

Additional elements of a succession plan incorporates at times a staged process that takes into account those employees who may be blocking progression of the selected candidate and a plan of action in dealing with the blocking employee.

An example of a Succession Planning Worksheet as described in *“The Talent Management Handbook”* is included and marked as Appendix B. An example of an ideal Succession Planning Project Plan is labeled below as Figure 5.2.



Figure 5.2 Succession Planning Project Plan (Ibarra, 2005)

- **Acquire:** From the workforce plan established by the organization a more proactive approach of recruitment takes place. When the decision to hire an individual is made, hopefully the skills, talents, and other attributes have been identified. There are many methods that can be used to acquire talent throughout the organization. The following include several strategies:
 - **Just in Time:** For many organizations the ability to fill positions when they come available is the best option.

Some positions in which encounter high turnover such as sales, call centers, and administrative/clerical positions may use this approach.

- **Talent Relationship Management:** The best approach for many organizations is the use of a methodical system of connecting with potential hires at all times. Talent Relationship Management (TRM) creates an ongoing creation and maintenance between the organization and potential hires even if a current vacancy does not exist. Understanding that both people are not always ready to move into a position, especially those who in-demand, high-performers who rarely are actively looking for employment. TRM allows the organization to stay in touch with these high performers through emails, regular telephone contact, special events, or other opportunities, that keep the minds of both the hiring organization and the potential hire in sync. This way when the highly talented applicant comes available the organization will have the resources to hire them. Typically, TRM is confused with applicant

sourcing, which is the traditional method of researching and contacting high-performers within a given organization and attracting them. TRM is more passive approach and is based upon a long-term versus a one-time placement. Although such a hiring strategy has been not used by organizations, they have been popular by executive recruitment firms for several decades. These executive recruiters establish relationships with both candidates and hiring organizations within a given industry and connect them when both parties are ready. Once unique aspect in organizational TRM is the inclusion of people not as potential hires, but also potential contractors, vendors, volunteers, board members, etc. This networked approach to human talent creates organizational pipelines and pools that an organization may draw at any given time. Such a blend of different relations allows the organization to be flexible with its hiring and not fall back into the binge and purge approach to hiring and laying off.

By using the workforce and succession plans, competency models, and leadership competency listings, which are a living and evolving, document, TRM administrators, will continually be on track with the needs of the organization, now and in the future.

- **Develop:** The subject of employment training and development is a vast topic that exceeds the discussion as it pertains to the talent management strategy. Nonetheless, there are several critical elements that should be included within the organizational training and development strategy that are necessary. A list of some key employee development strategies are listed as Figure 5.3.



Figure 5.3 Employee Development Strategies (Ibarra, 2005)

As mentioned earlier, the necessity of identifying what skills, leadership capabilities, attitudes, and values should be identified as part of the workforce-planning phase. With such needs being developed, a “Learning Organization” culture must be developed so that all employees realize their role in making the organization more effective. The introductions of individual development plans are critical to establish a link between the expectations of the organization and the developmental needs of the individual. Once that “prescription” is written, using the internal and external training resources available to the organization can create a customized training program. Included in such a culture is the expanding role of the learning facilitator as being the person who manages the progress of learning throughout the organization, measures its effectiveness, and is constantly shifting the types of training offered based upon needs. Also, the venue in which learning is taking place is important to ensure that accessibility to training is widespread. Onsite training, classroom sessions, seminars, computer based training, self-paced, online, and pipeline training should be considered to see which combination addresses such needs.

The authors of “The Leadership Machine” stated that 70% of all learning within an organization takes place on the job. Experiential learning is a critical element to meeting future needs. Typical on the job training, mentorships, internal internships, job rotation, committee participation,

special projects, and other experiences allows employees to expand their roles by learning from others within the organization.

Organizations such as Microsoft and Motorola subscribe to the “Right Job/Right Time” approach to talent redeployment. Such a philosophy sees temporary job assignment, projects, and the like as a series of experiences that compliment one another that creates the future leader. This approach is an excellent example of how organizations have defined the leadership model required, the individual needs of an employee, and the gap analysis that takes place to prepare the leader in the shortest amount of time and optimize the investment made by the organization.

- **Maintain:** Retention of high performers is an ongoing concern for many organizations. Considering the considerable investment that often goes into an employee over time, losing that resource can be everything from an irritation to devastating. Traditionally, the consistent measure for turnover is as follows:

$\frac{\text{Total Number of Employee Departures}}{\text{Total Employee Beginning of Year} - \text{Total Employees Ending of Year}} \times 2$

It's believed that turnover controlled at a certain level, i.e. 12% per year is considered a “healthy rate” to replenish the talent within an organization. But if that 12% represents the high performers of an organization, it is actually suffering. On the opposite side, if 20% of poor

performers turnover, then this is an opportunity to improve organizational performance by hiring higher performers.

Instead, the measurement of turnover of high performing employees is critical by measuring the type of turnover that matters most. This of course, is also dependant upon the organization's ability to establish and maintain an honest and mature performance management system.

The ability to retain high performers is based upon a compilation of supportive leadership, compensation, benefits, and opportunities that allows the individual to evaluate his/her current employer to other employers within an industry or geographic area. It is a wide known philosophy that individuals leave many times because of poor management, therefore those leading the organization must be lead in such a way that the human element of the organization is attended to in a fair and reasonable manner. It is this "employee engagement", commitment, or even covenant that creates a value-based connection between the organization and employee. This is the most important and at times, the most difficult element of retention.

- **Total Rewards:** A popular new approach to compensation and benefits is the concept of total rewards. This discussion addresses employee's needs and the costs to the employer in providing a compensation and benefits package. The elements of Total Rewards is listed in Figure 5.4

The Total Rewards Matrix

<u>Compensation</u>	<u>Benefits</u>	<u>Auxiliary</u>
Salary	Healthcare	Time Off
Sign-On Bonus	Retirement	Health Club Memberships
Annual Bonus	Disability Insurance	Discount Programs
Performance Incentives	Employee Assistance Programs	Wellness Programs
Salary Market Reviews		Flexible Schedules
		Meal Accommodations
		Clothing Allowances
		Technology Allowances
		Auto Allowances

Figure 5.4 Total Rewards Matrix

This in no way expresses all of the combinations of what can be included in a total rewards program, but demonstrates examples. As mentioned above, the important aspects of a successful program is to evaluate the market in which the organization competes. By studying the market rate for comparable jobs, comparable contribution rates of healthcare, and other characteristics of competitor’s total rewards package allows organizations to be competitive and establish a philosophy of such systems. The philosophy includes whether the organization will be a leader in paying employees higher than competitors, the same, or lag behind

for a wide variety of reasons. This competitive review should be conducted on a continuous basis through market studies, environmental scanning, and through exit interviews with departing staff. It is important to also be prepared to remove benefits that are perceived by employees as not valuable or outdated. This can be challenge for many organizations that see growing healthcare costs increasing at an alarming rate strangling on financial resources. When such discussions come to light, it is also important when establishing a total rewards philosophy concerning what balance of total rewards will take priority. Would cash compensation and remaining competitive or above the market be more important than high healthcare deductibles? Or does some balance exist? These are important to also communicate to employees who may not be aware how compensation is being calculated and the opportunities and limitations that are brought to bear upon the employer. Still, the subject of total rewards is an important element to the retention of high performers.

Within the cash compensation element, the necessity of mentioning the important connection between employee and organizational performance and financial rewards.

Establishing specific criteria of what constitutes value to the

organization and what it takes to be financially rewarded is among a significant element of performance management. Performance management, as further explained later within this thesis connects the desired outcomes of the organization with the financial and non-financial rewards afforded to the employee.

There has been significant discussion surrounding the concept of what constitutes fair and exceptional compensation. As presented earlier within this thesis, the writer believes that the identifying of high, average, and low performers is critical to focusing limited financial resources to those high performers as a point in alignment with collecting the highest return on investment for the use of such financial resources. This does not mean that the average performers are not rewarded, but instead significantly less than high performers. An example of such distribution is listed as Figure 5.5.

Level of Performance	% of Employee Population	Avg. Salary Increase
High Performer	15%-20%	6%-15%
Average	65%-75%	3%-6%
Low	10%-15%	0%-3%

Figure 5.5 Sample Performance/Merit Increase Distributions

- **Evaluate:** Once compensation has been identified and the distribution established, a system for the evaluation of employees that is honest, direct, and understandable is critical.

Regardless of the system of performance evaluation be it a narrative process of comment a system of direct alignment to organizational goals, or a numerical ranking of employees, it is the single most important element that it be objective, timely, and honest in its delivery.

From its ability to be objective and honest allows the capacity to rank individuals against others in the organization. Timeliness allows organizations to either reward or critique employees in which employees see the cause and effect of their activities as part of their employment.

Much has been studied as to the criteria of performance. Some believe that the path to the successful evaluation system is found in the ability to tie individual goals to outcomes. Some believe it is an ongoing discussion with employees with regard to past performance as some form of dead reckoning. And even some see it as an opportunity to provide feedback of an employee's performance as compared to other employees within the work unit or even the organization.

The range of scoring has been historically diverse. It was once practice to score an employee's performance against a one to ten

numerical score that was a result of averages in a number of established traits or characteristics desired in all employees. Often this arrived in an abstract number that often represented a number with two or three places of decimal marks.

The issue that often arose is the argument in what distinguishes a person who ranks a four out of five versus a five out of five and what criteria was used to arrive at that number.

Instead, the writer suggests the use of the same criteria as used when establishing compensation levels as well as succession plans and leadership development.

The ability to communicate that an employee exceeds, achieves, or is below expectations provides a reasonable level of feedback while assisting the organization in tying all elements of talent management together.

One may argue that the need to sub-rank employees is required such as the situation in which a business unit has ten exceeds, fifty achieves and ten below.

The reply to this inquiry lies in the manager's ability to rank those who fall within these three levels of performance and ultimately establish those who are among the highest of performers.

- **Retain:** The ability to retain the highly talented still continues to be a high priority to many organizations. To really see the impact of one

individual's departure from an organization is often seen in those who are affected that remain within an organization. The impact upon talent employees leaving an organization as previously mentioned can be measured in a variety of ways from loss of sales, productivity, morale, or even survivability within an organization.

Assuming that the employees leaving are among the highly talent or high performers, there exists a variety of methods in which to retain these individuals.

- Retention Bonuses: A basic method of retention can be found in retention bonuses. Basically being a cash bonus awarded to employees when they attain a scheduled level of tenure. These bonuses can be tied to an objective or an established time of tenure.
- Tiered Rewards: Often organizations seek to use tiered reward to retain employees. Everything from retirement vesting schedules to service awards is used to reward the employee's ability to remain with a given employee.

Although these approaches have been used for a number of years to maintain employees, they have with them a mixed message of what is valuable to any organization.

If it is within the organization to reward performance then the rewards should be weighted as such. It is the writer understands that there does exist a priority for an organization to reward those employees who

demonstrate loyal service over an extended period of time, but argues instead the continued practice of such methods.

It is the writer's opinion that the use of ceremonial rewards is very valuable to celebrate those employees who remain with an organization. It is such celebration that an organization can use to ground itself in its history and respect for organizational experience. But, it is very important that when it comes to status and financial reward, it be gauged upon performance and not tenure.

A controversial element to this suggestion is a question often asked by long-tenured employees. That question being, "how can a person who has been here only a couple of years make more than one who has been here twenty years?" To avoid this question it is necessary that all employees be aware of the standards and expectations of success within the organization. The simple statement respecting tenure, but rewarding performance allows the individual employee to prioritize their own destiny within any organization.

- **Measure:** When the writer researched all of the stages of talent management, the single element that did not exist in most of the models was the requirement to measure success. How fascinating to find so many successful authors who preach the necessity to present substantive results to human resources strategies to leave out this one segment.

Regardless, the writer has felt this stage as important as others listed above. The necessity of measuring the success from the initial stage to subsequent stages is mandatory.

As a format to determine whether the program is succeeding the first measure is established as a benchmark in which initial measures are taken. Those following allow the organization to determine whether the strategy is working and where adjustments need to be made.

In order to use measures as a diagnostic tool in determining whether each stage is working, it is recommended that measures be implemented at each of the stages mentioned above.

Understanding that each organization is different and each has a different level of importance, the writer has chosen several possible measures for each stage. It should be within the individual organization with regard to which measure is used. But, once a set of measures has been established, it is critically important that the same set be used for an extended period of time to have the ability to determine the success of the talent management strategy.

- Stage: Planning: Measure – Number of Employees in the succession plan: This measure allows an organization to determine an effective ratio of those involved in the enterprise succession plan. A critical measure, this information allows an organization is determining what resources are needed to prepare for future leadership needs.

- Stage: Planning: Measure – Number of Succession Plans Completed: This measure allows the organization to monitor the completion of plans and determine if the required level of progress is being achieved.
- Stage: Planning: Measure – Number of workforce plans completed: A useful executive measure of effectiveness, this allows the organization to determine whether key business units are seeking to manage their workforces towards enterprise goals.
- Stage: Acquire: Measure – Staffing Performance Index: Of all measures available with regard to human resources, the staffing function has available the most. Unfortunately, listing multiple measures may not be useful. Therefore, it is recommended that the use of an index to measure the staffing function be utilized. Measures such as cost-per-hire, diversity, time to fill, offers to acceptances, be combined and weighted based upon those that are most important to the organization.
- Stage: Develop: Measure – Number of Employees on an individual development plan on track: Often training programs are random actions placed upon behalf of the employee. Instead the creation of a measure that determines the creation and status of individual development plans allows an organization to determine whether the future needs of the organization are be prepared at the current time by all employees.

- Stage: Develop: Measure – Training Spending: A major measure as determined by several corporate training associations is the spending of training per employee. Although this may not be the most effective measure of effectiveness related to employee development, it can be used to compare an organization's investments of training against others in an industry or overall standard.
- Stage: Develop: Measure – Number of training hours received: Similar to training spending, number of training hours allows an organization an easier measure in which to benchmark with other organizations.
- Stage: Maintain: Measure – Employee Engagement Survey: In order to truly evaluate the participation and buy-in of employees is by surveying those individuals. Such an employee engagement survey allows an organization to assess employee's buy-in to the vision of the organization and how the individual sees their role affected by such vision. Usually the opportunity to introduce this measure is by incorporating it into an overall employee climate survey. Once again we are introducing subjective measure into an analytical measure, but it still permits the incorporation of such measure as an effective means of evaluating the successful talent management program.

- Stage: Maintain: Measure – Diversity: Many organizations use diversity as a form of compliance measure as part of the enterprise. Instead, diversity measures the organization’s ability to determine whether there exists adequate feedback into an organization that may increase competitiveness.

Diversity measurement allows an organization to determine whether it is connecting with it’s customers on a cultural basis and at the same time decreases group-think and concentration towards a compliance oriented culture.
- Stage: Maintain: Measure - Turnover of high performers: This measure was introduced earlier as the true measure relative to the status of talent within an organization. By using such a measure, an organization can determine whether the same individuals in which an organization is investing is at the same time leaving. This quick “temperature check” allows an organization to make necessary changes concerning a talent management program’s focus areas of investment.
- Stage: Maintain: Measure - Exit Interview Scores: Another very popular subjective measure is that of exit interview scores. Although much data that is collected during such interviews are based upon individual perceptions, often if the organization can assess themes or overall feedback that has a recurring communication, then there can exist significant data in which an

organization can assess its ability to retain and reward employees from a centralized point.

- **Evaluate:** Employee performance evaluation has consistently been an area of great reluctance by supervisors and employers. Assumptions by senior management that such evaluations alienate employees or make the supervisor the “bad guy” have been around as long as employee evaluation systems. Regardless, there is an organization obligation to provide such feedback and make it available to employees.
 - Stage: Evaluate: Measure: Number of Performance Evaluations completed on time: This measure allows the attentive and timeliness of performance evaluations. If the ability to evaluate employees and assist in their development is an organization prerogative, then the completion of such evaluations should emerge as a successful element.
 - Stage: Evaluate: Measure: Balance of Forced Distribution of Performance Evaluations: This simple measure allows an organization to determine whether performance evaluations are complying with the distribution as established by the organization. As disclosed in Figure 5.5, the objective distribution of scores allows an organization to distribute salary increase more effectively and in such a way that it produces the greatest return on investment.

As seen by the various measures there exists an extensive list of opportunities to determine whether a talent management program is effective in meeting organizational objectives. But, it is within the individual organization's view of what combination of measures and results are deemed as being meaningful. Only after considerable review of all the options available, can an organization determinate if a talent management program is worthwhile and if so what measures will determine its success?

RECOMMENDATIONS:

During the course of the writing of this thesis, considerable economic shifts have taken place that could be considered a sign in the change of the landscape of the American workplace as it pertains to frequent movement of employees, retiring baby boomers, a more portable and flexible workforce, and increasing competition overseas. From the beginning, many businesses thought leaders started to predict these changes in the workforce, the restlessness of managers and employees in the private and public sectors becoming eager to view these changes in employment as an opportunity to move towards greener pastures.

Even at the time of the writing of this conclusion statement, the shift has started to take place even quicker than expected. We see a “binge” of hiring in the permanent placement staffing industry within a variety of specialties as an attempt to “tool up” recruiting staffs in anticipation for the next stage in the war for talent. Similar changes are found in the renewed interest in the purchase of electronic hiring systems and related human resources systems. Even organizational consultants have reported an increased surge in business as organizations suddenly realize an increased number of employees who are suddenly recognized as being qualified to retire with the urgent concerns of what is called the organizational “brain drain”.

There is no doubt that we will enter an era of higher turnover. Managers and employees are currently being pushed by ever increasing demands to optimize current staffing, while reducing costs, an organizational shift away from reduced workweeks while employees seek more avenues to balance work and life. Generations coming to work who have a totally different perspective concerning work that the three former generations did not have or understand. A profession known as “human resources” still continues to struggle concerning its role within an organization between being an administrative provider or a strategic partner. The writer has professionally been known to believe that change is produced by either vision or pure necessity. It is the writer’s opinion that the vision portion of talent management has found its place and the necessity stage found its beginning. Organizations that had the vision to see the impending shifts will be prepared to weather future employee changes and movements. Those who did not properly prepare will struggle with its workforce in the future.

Still there exist two separate issues: assessing the value of a firm’s human capital, and assessing the ROI of a specific talent management investment. The first is focused on investors; the second is of interest to managers who want to know if the money they are spending on programs is worthwhile.

An aspect addressed earlier within this thesis is the issue that there exists no typical HR ROI. So, the writer recommends that the best method is to establish a baseline of organizational value, implement a program, and measure the end

result. It will then lie within the organization to determine what constitutes success and adequate returns.

With regard to the return on investment and how to better measure the success of such programs, the use of semi-quantitative assessments, is clearly the best means in which to mix quantitative and qualitative information and it allows an organization to measure Talent Management's effectiveness.

The use of such a mix allows the organization to identify the biggest bang for the buck in which program will yield the greatest results. Also, in the evaluation of programs chosen for a talent management strategy those that will have the biggest impact on the execution of organization strategy should be considered.

As mentioned earlier, Talent Management is not best seen as a set of topics, but as a perspective or mindset. Throughout the research of successful organizations who have implemented successful talent management programs, one consistent trait has emerged. Successful organizations believe that talent management is not a human resources effort or program, but instead an organizational philosophy that is incorporated into every aspect of the enterprise finds greater success in these programs. This belief in talent should be a consideration when discussing operations and strategy, as well as and the mission or vision of any organization. Within these organizations, management at every level believes that the successful use of talent is within their responsibility and that human resources acts as the facilitator of these

discussions and as the administrator of the programs. It is the writer's opinion that a talent management program fails most often when human resources are considered the responsible entity for such strategies.

Still the introduction of these concepts and practices does lie upon the human resources element of the organization and remains as the catalyst of such initiatives. The method in which HR introduces and promotes such programs should be based upon the support in part by best practices and return on investment projection. Without such estimates, the talent management strategy will continue to be considered a feel-good program developed to an undeterminable end.

Once an executive buy in is established and programs are implemented it is important to continue promoting the strategy and its successes to all involved. Communication is an important element throughout the introduction and implementation stages so that all organizational members understand the philosophies behind talent management and the benefits realized by both employees and the organization at large.

The Future of Talent: In the future of a recovering economy, baby boomers retiring, technology, and the emerging global economy, what role does the American worker have? Known to be one of the most productive workers on earth, how can companies become more productive while being considered a good employer who provides fairness and equity to its employees?

The question of what employment value proposition may an organization use to entice the high-performers to join and remain while paying respect to those employees who have performed tried and true over the years. Is there a balance between having both worlds together to provide the greatest benefit? Is there a place for the democratic method of leadership? Could an organization use the philosophy that all employees should share in the benefits of the organization's success, where each brings their own talents, uses all that they are capable of and only together they share the success or failures? What about organizational climate? What role does the culture play in individual employee success? The answer is one that should be created by individual organization in its organizational values, mission and vision. Each organization should determine what it finds important to it and its employees then tie compensation, rewards, and programs towards those philosophies.

As technology expands and reward systems become easier managed, perhaps allotting an "individual employee budget", based upon the value of the employee and the success they bring determines customizable benefits to employees. Customizable benefits can be based upon the stage of the employee's career, their individual financial needs, developmental needs, and personal needs, and then allows for changes as required. Several examples of customizable benefits are included below:

- Single Mom: Telecommuting Option: Inexpensive healthcare for kids: help getting no down payment for a mortgage.

- Widowed Older Female: Mornings off to work at charity: pet insurance
- Young Family: Flexible schedules to attend family events:
Employee/Father wishes to return to school to receive MBA.
- Male Employee with Elder Parents and College Age Children: High compensation to support two sets of dependents; bonus opportunities.
- Young Technical School Graduate Employee: Ability to expand skill set by attending conferences; Connects with new “status gadgets”, like PDAs with wireless connections and MP3 players.
- Young Ambitious Executive: Generous office with health club membership.

The ever expanding opportunities of international inclusion to organizations bring even more complexities concerning how to optimize the use of talent with an organization. As earlier discussed the management of people has with it a connectivity of values that compliment talent and human capacity to meet organizational objectives. In the case of people from different countries and cultures there exists non-compatibility of such values due the disconnection between countries, traditions, and cultural values that might be in direct conflict with those of the parent organization. The challenge is to create a new dynamic in the Talent Management Program that allows for such customization that permits for such diversity while adhering to those organizational imperatives. The challenges are multiple as this powerful competitive advantage exists in all organizations regardless of size, geographic area, product or service.

Regardless of what the future holds, it's doubtful that we will crack the code to optimal human performance anytime soon. We see ourselves expanding our capabilities almost daily and we see examples of this on the playing field, in the laboratory, and in the workplace. One thing for certain is that talent is elusive whether isn't inherit in the organization, grown, recruited, or contracted. It cannot be argued that without it technology, innovation, processes, products, and merchandise become useless. So misunderstood is talent that we will continue to find a way to bring the best out of people at work and applaud those organizations that have succeeded.

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Appendix

- A. Talent Management Program Return on Investment Planning Worksheet.
- B. Succession Planning Worksheet Example.

**TALENT MANAGEMENT PROGRAM RETURN ON INVESTMENT:
SCENARIO PLANNING
WORKSHEET**

Program Cost:	\$		
Additional Employee	25,000.00		
Cost:	\$		
	55,000.00		
Total Leader Time Spent (Hours):		350	Hours
Increase of Market	\$		
Value:	65,000.00		
Average Salary:	\$		
	50,000.00		
Supervisor Salary per hour:	\$		
	26.00		
Current Number of High Performers		20	
Previous Number of High Performers		10	
	\$		
Net Reduction Savings of Turnover of High Performers:	66,708.00		
	\$		
Market Value Increase + Turnover Reduction Savings	99,208.00		
	\$		
Total Organizational Costs	89,100.00		
Return On			
Investment:		1.113445567	
Net Number of High Performers		10	

Appendix A
Talent Management Program on Investment Planning
Worksheet

Appendix B
Succession Planning Worksheet
Example

BENCH STRENGTH SUMMARY:										
BUSINESS CENTER/UNIT	EMPLOYEE	TITLE	SUPERVISOR	POTENTIAL	PERFORMANCE	NEXT POSITION	STATUS	REPLACEMENTS	REPLACEMENT STATUS	NOTES
Department #1	Steve Vai	Executive 1	Peter Chriss	P	A	EXECUTIVE DIRECTOR	KEEPER 24-36 MO.	Randy Rhoades	6 Mo.	Possible BLOCKING Ahead for Rhoades
Department #1	Alex Liason	Executive 2	Ace Freeley	U	E	DCA	SUPERKEEPER 24-30 MO.	VOID		Start recruiting now.
Department #2	Gary Lee	Executive 3	Eddie Van Halen	NP	B	NONE	MISFT	VOID		Start recruiting now.
Department #4	Mitch Miller	Executive 4	Dotz Osborne	NP	B	NONE	MISFT	VOID		Start recruiting now.
Department #6	Bob Costes	Executive 5	Neil Port	NP	B	NONE	MISFT	VOID		Start recruiting now.
Department #7	George Harrison	Executive 6	Gene Simmons	LR	A	LATERAL MOVE	SOLD CITIZEN	BLOCKING Jerry Seinfeld, Kramer, George Casansa, Elaine Bernice	All 24 Mo.	
Department #9	Ringo Starr	Executive 7	Paul Stanley	P	E	EXECUTIVE DIRECTOR	KEEPER 18-24 MO.	Carl Palmer, Jack Benny, Milton Beaulie SUPPLUS	Palmer - 5 Mo., Benny - 8 Mo., Beaulie - 2 Mo.	
Department #10	Jeff Beck	Executive 8	Bullock, David R	U	E	COUNTY ADMINISTRATOR	SUPERKEEPER NOW	Eric Clapton	15 Mo.	Clapton not ready, speed up development and start recruiting.