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SPOTLIGHT ON TALENT MANAGEMENT

TALENTQUEST

THE SOURCE

TQ "In the News"

TalentQuest announces its new corporate giving program, offering nonprofits discounted and free Services. 'TQ Giving Back' offers charitable organizations discounts of 50% - and in some cases, free - access to human capital consulting services and talent management software solutions.

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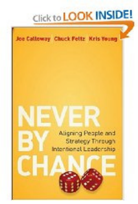
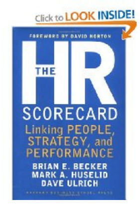
This issue of "The Source" focuses on the critical importance of integrating your people strategy with your business strategy... and guidance for ensuring success. The following are books we have enjoyed on the topic:





We always welcome the opportunity to respond to the topics you are most interested in and that are most critical to the needs of your business. To request guidance on a particular topic, please click here. Thank you for your contributions and feedback!

Do Your People Strategies Mirror Your Business Strategies?

- by Rick Brandt, Ph.D.

President, TalentQuest Consulting Services

In our business we often ask...Do Your People Strategies Mirror Your Business Strategies?

This question has become a maxim in today's hypercompetitive business environment where everyone is trying to gain a talent edge, but it has also become something of a cliché. What does this phrase really mean? Doesn't everyone try to align people and business strategies, and if everyone does it, how does it provide a competitive edge? And can't you successfully execute business strategy without an articulated "people strategy?" After all, didn't business do just fine before the words "talent management" and "human capital" had been spoken?

I am not defecting to become a human capital agnostic, but I am speaking several truths from my years of experience working in this space:

Truth (1): There is undoubtedly (proven through serial research) a competitive performance edge for companies that successfully align business and people strategies.

In their five-year research study, consultants* and business school professors at top universities analyzed ten years of data on 160 companies and more than 200 best practices and discovered that all successful companies simultaneously master eight specific management practices. The eight practices were divided into four primary categories (Strategy, Execution, Talent, Leadership) and four secondary categories (Culture, Structure, Innovation, Mergers and Partnerships) that directly correlated with superior corporate performance as measured by total return to shareholders. Further, the study showed that winning companies achieved excellence in all four primary practices plus two of the secondary practices. Losing companies did not. You will see that amongst the primary categories, there is a 50/50 split between emphasis on traditional business drivers (strategy, execution) and people practices (Talent, Leadership)...underscoring that their integration is critical. According to the study, companies that followed this "4 + 2 Formula for Business Success" had more than a 90% chance of actually sustaining superior business performance.

Truth (2): There is a lot of confusion about how to do this simply, efficiently, and effectively. The strategic role of HR has immensely transformed over the course of the last several years, and competitive advantage now depends on intangible assets and human capital. Yet many, if not most, companies still struggle with spending their human capital dollars in ways that create clear business impact. HR, as a business function, has spanned through four distinct phases, as outlined in the following exerpt from the book The HR Scorecard: Linking People, Strategy, and Performance , by Brian E. Becker, Mark A. Huselid, and David Ulrich:

- *The personnel perspective:* The firm hires and pays people but doesn't focus on hiring the very best or developing exceptional employees.

- *The compensation perspective:* The firm uses bonuses, incentive pay, and meaningful distinctions in pay to reward high and low performers. This is a first step toward relying on people as a source of competitive advantage, but it doesn't fully exploit the benefits of HR as a strategic asset.

- *The alignment perspective*: Senior managers see employees as strategic assets, but they don't invest in overhauling HR's capabilities. Therefore, the HR system can't leverage management's perspective.

- *The high-performance perspective:* HR and other executives view HR as a system embedded within the larger system of the firm's strategy implementation. The firm manages and measures the relationship between these two systems and firm performance.

From my experience, most companies have reached the alignment perspective but fall short of realizing true high-performance from their HR systems and activities. Where does your company fall on this spectrum? How close are you to a high-performance perspective?

Truth (3): Very few organizations have an articulated "people strategy" and fewer still are able to demonstrate a clear connection between their people practices and their business strategies. If this describes your organization, do not be dismayed. It is never too late to begin investing time and resources towards a solid "people strategy" and, as you begin to do so, you will get a much more concrete handle on the tangible and intangible value each of your associates contributes to your organization.

Today, HR often has a seat at the executive table and is involved in business strategy discussions, but does not create a co-linked strategy that defines the path forward for people practices and how they will contribute to company success.

What does all this mean for you?

Many companies can make progress in aligning their business and people strategies by focusing on basic talent "blocking and tackling". There are several clear and simple strategies/tactics that any organization can take to make progress in getting the best return on its human capital:

1) Create and use competency model(s): When you clear through all the terminology, competency models are simply another name for the requirements for success for a job, position, or level within the company. Competency models should be relatively simple (no more than 8 or so key requirements), behaviorally based, and, most importantly, not generic. Non-generic means that the success requirements demonstrate a clear link between the business needs and what a team member must do to contribute to business success. For instance, we are working with a consumer products company where innovation is a necessary business strategy for the next several years (i.e., new products must be designed and manufactured which appeal to consumer needs). As a result, innovation and creativity is a non-negotiable success requirement for sales and marketing and should become part of the company's vernacular through its competency architecture.

How many competency models does your company need? The answer to this question depends upon your maturity as an organization in managing human capital. If you are new to this process, fewer are better. Start simply and think iteratively. We often work with organizations where they start with a single model for Executive, Manager, and Individual Contributor. When success requirements (i.e., competency models) are meaningfully linked to business needs, even simple configurations can have a tremendous impact on the business. The impact comes from using this information as the basis for multiple talent activities: selection, performance management, high-potential identification, succession, and training and development. For more extensive guidance around creating competency models for your organization, click here to download our complimentary white paper entitled "Creating Competencies that Matter."

2) Focus on key role(s): There are certain roles within the organization where variability in team member performance has greater impact on company performance than in other roles. For example, in a pharmaceutical company, the role of program manager is a "make or break" role. These individuals manage large budgets and often have to exercise great influence without authority, across the enterprise, to move products from the pipeline to the consumer shelf. The level of talent in these roles can have a tremendous impact on the share price of a pharmaceutical company, more so than say a sales representative. This is not to say that the sales representative job is not highly important to company success, but pivotal roles exist in any company that have greater impact on long-term success than other roles.

What are the pivotal roles in your company? What is the current level of talent in these roles? What is your bench strength? How are you developing the future talent for these roles? Considering and confidently answering these questions is one sure way to ensure that your business and people strategies are aligned.

3) Improve your performance management outcomes : Most managers have antipathy for performance management within their companies; too often, performance management becomes a bureaucratic exercise conducted annually, which fails to lead to meaningful conversations, development or performance improvement. How do you change these outcomes?

a) Teach managers the foundational skills associated with effective performance management - feedback and coaching.

Managers and employees want to have meaningful conversations, but often don't know how.

Managers too often lack knowledge of how to provide feedback and coaching in a way that motivates employees, especially when the feedback is hard to hear. These are skills that can be taught and learned, often in one day or less and then practices and reinforced. Owners of these processes often make the mistake of assuming that managers are already skilled in these areas, and forget that tenure does not equate to effectiveness. Similarly, employees can be taught to take ownership for their development by seeking feedback and objectively appraising their own performance.

b) Automate your performance management systems.

Many organizations still use paper-and-pencil tools to accomplish performance appraisals or they have built their own in-house spreadsheet systems to automate. If this describes your company, now is the time to make the transition to subscription automated service. These services provide a much greater level of administrative ease, accountability, sophistication, reliability, and reporting.

You will find an automated performance management system provides great benefits to both the employees- greater consistency, clarity, connectivity to the organization and convenience and the employer- 'on demand' reporting and dashboards, cascading goals, higher employee productivity and instilling a pay-for-performance culture. Automated performance management is now considered a 'commodity service' that is well worth the minimal investment required, as you will realize many intangible and tangible benefits across your entire organization.

Aligning your business and people strategies does not have to be a black box or demand a Ph.D. in physics to accomplish. It does require, however, a clear understanding of the business strategies that are necessary to pursue company goals over the next several years. Once these goals have been identified, document a clear and simple plan to demonstrate a linkage between your business strategies and the talent activities and systems necessary to support their execution. Once you have a structured approach solidified to interlock your people strategies with your business strategies, be sure to continually monitor, analyze, evaluate and evolve! This is not a one-time process that gets neatly gets checked off a master list of organizational objectives. As with any successful strategy implementation, it must be a continual work in progress to ensure optimal results- for your people and for your business.

*(Joyce, W.; Norhia, N.; Roberson, B.: What Really Works, Harper Collins, Inc., 2003),

SHRM

SOCIETY FOR HUMAN RESOURCE MANAGEMENT

SHRM has conducted compelling research around the topic of evaluating your "people assets" and its criticality to any long-term organizational success. Leslie Weatherly, SPHR, provides guidance in the following excerpt from her study "Human Capital-The Elusive Asset- Measuring and Managing Human Capital: A Strategic Imperative for HR":

> *To give an old adage its due: "what gets measured gets managed." Simply put, what gets measured stands a better chance of becoming successful within the context of an applied strategic business plan. If we are not capable of measuring the true value of human capital in our organizations, then we cannot begin to appreciate in quantifiable terms, its true potential. It would follow then, that we are not able to envision and reap the full measure of the benefits that this essential asset can afford to our organizations (s). We cannot afford to let that happen.*

Executives have long argued that superior "people management practices" will result in "superior business profits." The question remains, however, how do you go about measuring progress?

Recommendations: Get acquainted with the business metrics that are relied upon by your CEP and management team to run the business. Establish associated HR business metrics that are aligned with the goals and objectives of your organization; this includes establishing an initial baseline for each measurement, as well as industry benchmarks for comparative purposes. Ensure that the metrics established are not simply based on transactions, but are clear cut, indisputable measures of the success, failure, improvement or decline of any program or function for which HR provides oversight. Frame recommendations related to these programs based on the qualitative and qualitative information obtained from this measurement process.

**Source: "Human Capital-The Elusive Asset- Measuring and Managing Human Capital: A Strategic Imperative for HR," Leslie Weatherly, 2003 SHRM Research Quarterly.*