



Talent Management

A Competency-based Approach to
Developing Smart Strategies and Systems

PART I: Building a Successful Talent Management Strategy

Plateau's two-part series, ***Talent Management: A Competency-based Approach to Developing Smart Strategies and Systems***, includes these resources:

PART I

Whitepaper: Building a Successful Talent Management Strategy

How to use an analysis of current and desired workforce competencies and the talent management profile or "system-of-record" as the starting point for developing an approach to talent management that gives the HR team, executives, managers, and employees new power to drive performance and achieve immediate and long-term strategic goals.

PART II

Whitepaper: Phasing-in the Right Talent Management System

How to apply the same competency-based approach used in Part I to create a cost-effective, multiyear plan for building a fully integrated talent management system tailored to the organization's unique culture, business processes and strategic goals.

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Executive Summary

Worker shortages, skills gaps and the rapid pace of change have made it impossible for recruitment alone to secure the talent necessary to stay competitive. Defusing the crisis means investing in a comprehensive talent management program aimed not just at recruiting good employees, but also retaining them and continually developing their skills and competencies in alignment with strategic business goals and performance objectives. While organizations recognize the need — and ROI — of implementing talent management, the sheer complexity of developing a talent management strategy and implementing the processes and technologies to support it can be overwhelming. The task can be simplified by using a competency-based approach to define and compare the organization's desired state with its current state in terms of skills, knowledge, behaviors, performance, and the metric and motivational processes associated with them. This foundational information empowers the HR team, executives and managers to:

- Evaluate existing talent management processes (such as performance appraisals or 360-degree assessments)
- Drive out the information needed to define clear requirements and priorities for their talent management strategy.

The competency-based approach is also fundamental to building the talent management “system-of-record” comprised of company jobs, employee and company competencies and skills, and broader employee information – commonly called the “talent profile.” Building and having a company talent management system-of-record is critical to improving and unifying talent management processes – key factors in a talent management system's ability to help achieve business goals.

“...we believe that customers will ultimately need to have a job profile and a talent profile “system of record” (based on a common competency model), much like we see for employee and organizational hierarchy data in the core HRMS. For some organizations, that job and talent profile system of record may reside in the core HRMS. However, for many organizations, it may be in a talent management application suite.”

- “Unlocking the Strategic Value From Talent Management Application Investments”
James Holincheck, Gartner, December 27, 2007

From Crisis to Competitive Edge

Grow Your Own Talent

What is Talent Management?

Also known as human capital management, talent management includes recruitment and onboarding as well as an integrated set of goal-setting, performance management, assessment, compensation management, learning, and career and succession planning processes. These processes are designed not only to retain employees, but to foster continuing development of the specific skills and competencies needed to achieve the organization's immediate performance goals and long-term strategic objectives.

Why has talent management become such an imperative?

The reason lies in the convergence of dramatic economic, demographic, social and business trends. The scope and speed of these shifts have created a talent gap that is so deep and so wide that no organization can rely solely on recruitment to supply the talent necessary to stay successful.

Take a look at just a few of the factors:

- **Worker Shortage:** By 2010, the U.S. Bureau of Labor Statistics estimates the retirement of Baby Boomers alone will create a shortage of 10 million qualified workers¹. Forrester Research² states that 45% of U.S. public employees will reach retirement age and refilling these positions takes up to 7 years of on-the-job training or 2.5 new employees to replace one skilled, experienced retiree.
- **Skills Shortage:** In addition to long-documented skills gaps in reading, math and technical skills, a study by America's Promise Alliance³ shows weakness in so-called soft skills: decision-making, teamwork and leadership, and communications.
- **The Pace of Change:** The U.S. Department of Labor estimates that today's worker will have 10-14 jobs during their career. By 2010, the amount of new technical information is predicted to double every 72 hours⁴.
- **Turnover:** The U.S. Bureau of Labor Statistics reports that in February 2008, the U.S. employee turnover rate was 3.4%.⁵ This is the national average, however, and turnover in certain sectors of the economy and types of jobs can be far higher. For example, Jim Wall, Managing Director of Human Resources for Deloitte notes that "turnover rates at the Big Four have historically been high – roughly 15-20% ... the cost of which is astronomical."⁶

¹ Gauging the Labor-Force Effects of Retiring Baby Boomers, Bureau of Labor Statistics: www.bls.gov/opub/mlr/2000/07/art2full.pdf

² Forrester Research, The Retiring Workforce Is Creating A Knowledge Void In Government And Regulated Industries, by Claire Schooley with Connie Moore and Lucy Fossner, 2005.

³ America's Promise Alliance Briefing Report, America's Emerging Workforce and the Soft Skills Gap, September, 2007

⁴ American Bar Association Technology eReport, The Exponential Information Environment, May 2007

⁵ Bureau of Labor Statistics Monthly Labor Statistics for February 2008 www.bls.gov/opub/mlr/2008/02/cls0802.pdf

⁶ The Economist, Accounting for Good People, July 20, 2007

What can organizations gain through talent management?

Clearly, as the worker shortage grows and the pace of change accelerates, recruitment alone can't supply the smart leaders, strong managers, high-performers and ever-changing skills sets necessary for success. That's why organizations are balancing recruitment with an investment not just in training, but in comprehensive talent management strategies. Talent management processes give organizations valuable metrics, performance motivators, and insights into workforce skills, competencies, and emerging leaders. This vision empowers organizations to become more strategic in how they select, train, develop, retain, reward, and help employees grow within the organization.

By focusing resources on growing "new talent" from existing employees, a good talent management strategy sharpens an organization's competitive position, reduces recruitment costs, drives higher performance and boosts retention rates.

Talent management ROI

The value of higher retention alone can pay for the total talent management investment. In fact, in looking at what turnover costs, Deloitte's Jim Wall estimates that every percentage-point drop in annual turnover rates equates to a savings of \$400,000,000 - \$500,000,000 for America's Big Four Accounting Firms. For all organizations, managing the total turnover rate is just part of the value: even more important is the role talent management plays in making sure the right people stay — giving organizations greater value from their investment in high performers, and more time to groom their successors.

Why Do Organizations Stop Short?

Every organization agrees on the need to meet the talent crisis by "growing" talent rather than rather than recruiting it. HR teams, CEOs, and Directors agree on the bottom-line value of training, succession planning, performance-based compensation, and aligning employee development with specific strategic goals, so why do organizations stop short of implementing cohesive talent management systems?

Western Union

Talent Management as a Competitive Asset

To build deep bench strength for top-level positions throughout the organization, Western Union strengthened its talent management strategy by shifting from "replacement planning" to succession planning.

Under its old system, backups were identified by typical replacement charts listing several possible candidates. These charts provided a snapshot of overall strengths and weaknesses, but they did nothing to develop the candidates' readiness.

Today, Western Union no longer simply identifies "backups." Instead, the company proactively grooms candidates to assume the incumbent's role. The breakthrough has come from a succession planning system that not only identifies and ranks the most highly-qualified candidates for each top-level position, but also maps out a clear development plan. Following the plan, candidates can acquire skills and competencies to move into a new position and shine from day one.

Western Union believes succession planning fits into a talent management strategy that gives the company a clear competitive advantage — enabling it to develop the org charts of the future *and* the leaders to fill those roles.

For most organizations, surprisingly, the greatest challenge is simply how to get started. It can be a tall order to drive out — and prioritize — what is most important for the organization so that the talent management strategy can be developed and aligned with business goals. Organizational issues like change management and process redesign can also trigger internal struggles. And unless they are handled well can cause the talent management initiative to fail. The fact is, integrating all those components and processes is not only possible, it can be accomplished systematically over time so that the organization benefits from an increasingly robust talent management strategy and system without placing undue strain on the budget or the HR team itself.

Transform the challenge into an opportunity

Good talent management systems start with careful analysis not just of HR functions, but of the organization itself, including existing processes, long- and short-term goals, competitive position, culture and more. Taking the time to do this analysis gives organizations valuable insights into strengths, weaknesses, opportunities and threats and how they can use the talent management process to address them.

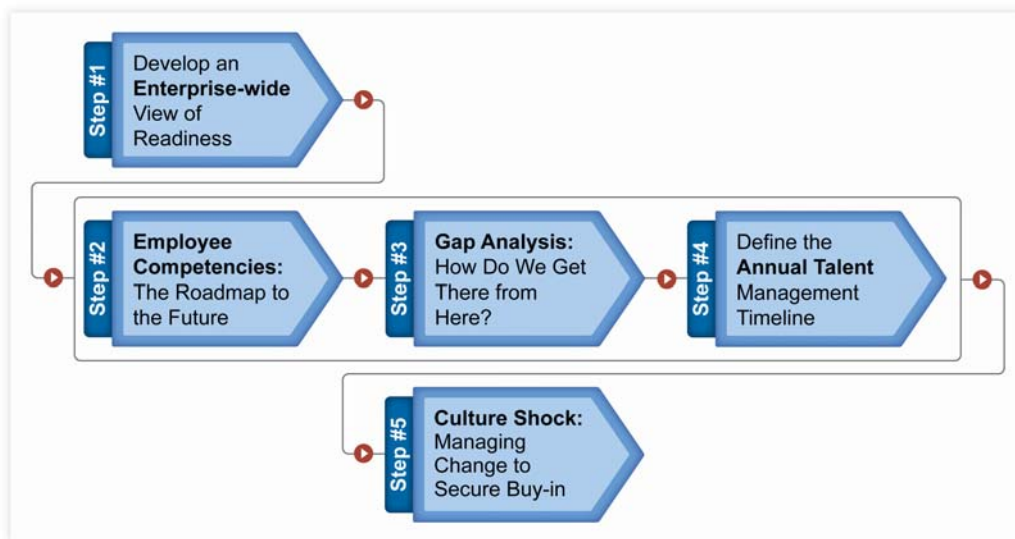
Where to start?

With the big-picture analysis complete, organizations have a good sense of their current state and their desired state. This analysis should also yield a clear understanding of the most urgent talent management needs and sharpest pain points. From there, the process actually splits into two processes: developing the talent management **strategy** process and then translating that strategy into a talent management **system**.

The second process — phasing in the right talent management system — is addressed in PART II of this whitepaper series. Right now, however, let's examine how to use a competency-based approach to build the strongest and most successful talent management strategy.

Please keep in mind that the following approach should be considered as a starting point and as a baseline framework and is not intended to be a comprehensive guide.

Building a Successful Talent Management Strategy Steps



Start from where you are now ... with the end in mind

Develop a clear perspective, involve the HR team, C-level executives, business unit leads and managers. Answer key questions about the organization's current state, culture, and desired state. Questions might include:

- Review, confirm and/or clarify company statements:
 - Mission Statement: why does the company exist
 - Corporate Values: beliefs and how the company behaves
 - Vision: what the company wants to be
 - Strategy: competitive game-plan that includes business goals/objectives, where to compete, and competitive advantage
 - Balanced Scorecard: how the company executes and monitors the plan
- How do the company statements and goals cascade through the business units, divisions, market segments, and departments?
- What organization, jobs/roles, and skills are needed to support company statements, performance, and innovation?
- What criteria can the organization use to measure performance and to identify both high performers and underachievers?

Next, look closer at that desired state and map out what the organization should look like — in terms of leadership, capabilities, structure. This defines the desired state for performance, competitive position, and profitability. Now, find the pain points. Go back to the current state and take a closer look at any talent management components already in place. Inventory what exists and perform an analysis on how well each is working. If a learning management system (LMS) exists, for example, is it flexible enough to handle custom content (one of the fastest-growing trends in learning)? In terms of compensation planning, are merit increases and other rewards tied to performance, or do managers spend inordinate amounts of time aggregating spreadsheets to determine who gets what bonus?

Document your company's talent management priorities based on company goals, related talent requirements, and analysis of existing talent management processes and systems.

"We are preparing students for jobs that don't yet exist . . . Using technologies that haven't been invented . . . To solve problems we don't even know are problems yet."

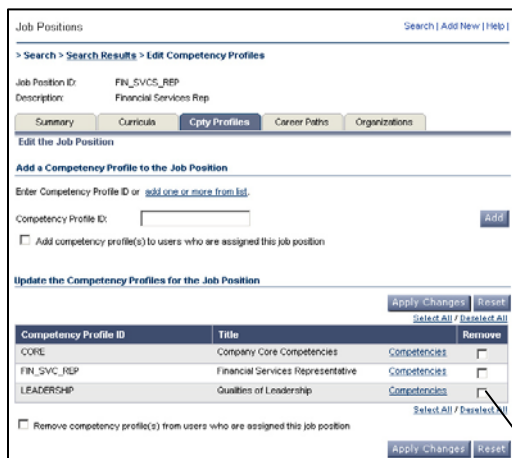
-"Did You Know," a presentation by Karl Fisch viewed on YouTube by almost 1 million people. www.youtube.com/watch?v=xHWTLA8Wecl

Step 2: Employee Competencies: Roadmap to the Future

With the inputs from Step #1, define the competencies desired by the organization. Consider identifying specific competencies desired in these three categories:

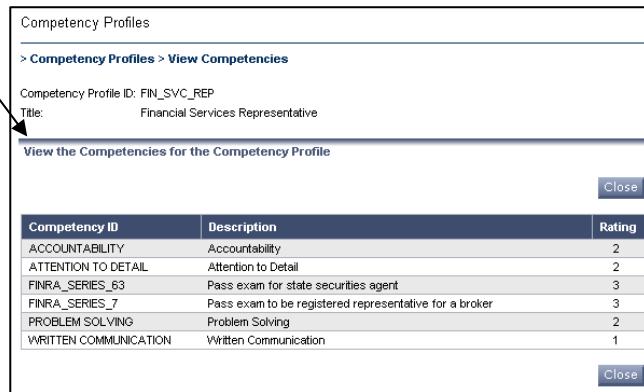
- Core competencies: qualities and behaviors desired for all employees, examples include accountability, conflict management, flexibility, problem solving, reliability, communication, etc
- Leadership competencies: qualities and behaviors desired for supervisors, managers and executives. These attributes and responsibilities might include entrepreneurship, managing people, partnering, vision, situational leadership, strategic thinking
- Job-specific competencies: skills, knowledge, abilities and behaviors

Once competencies are defined, associate them with specific roles and job positions. Next, establish the proficiency levels required for each competency. Using this information, create a clear competency profile for each job. The desired state of performance established in Step #1 becomes the organization’s destination. Adding competency profiles creates the roadmap, clarifying the desired state of competency for each position within the organization needed to reach the destination. Having identified specific performance and positioning goals and the competencies that lead to achieving them, the next step is to see where the organization stands today.



Drill-down of job-specific competencies, along with proficiency levels (rating) required

Sample competencies for “Financial Services Rep”



Step 3: Gap Analysis - How Do We Get There From Here?

Getting “there” means first getting clear about “there.”

That’s why the next step is to conduct a comprehensive skills inventory and gap analysis. The focus should be around what are the competency/skill areas that are most critical to the organization as defined in Step #2. This exercise not only gathers vital information about the current state, it provides a baseline to use for assessing and measuring progress as the talent management initiative moves forward.

The goal in conducting this analysis is to provide HR, executives and managers with visibility into employee skills. It gives organizations the ability to identify qualified candidates for special projects or new assignments. It also provides employees with a means for managing their career as they can readily see where they are and where they need to be for career planning. This level of visibility is critical for employee retention.

In addition to an inventory of skills, it is useful to give each skill a knowledge or proficiency rating (e.g., beginner, intermediate) and experience level rating (e.g., 1-3 years, 4-6 years).

What is the best way to gather this information?

The organization’s performance appraisal process provides a means for collecting details on the current state of employee skills. The better the appraisal process, the better that data. Basically, take the same process used to evaluate an individual and apply it at the macro level to the organization. Tools can include:

- Self-assessments (can be conducted anytime, including part of the onboarding process)
- Annual performance appraisals
- 360-degree multi-rater assessments
- Readiness rankings

Other information valuable for skills inventory and gap analysis can be found in an employee’s “talent profile” including:

- Awards
- Colleges/Universities
- Communities and Associations
- Current Goals
- Interests
- Language Skills
- Past Goals
- Professional Licenses/Certifications
- Projects
- Work History – Internal & External

The sample employee information contained in the talent profile above can be obtained from multiple sources, including from the employees themselves and/or from a data fed from an applicant tracking/recruiting system. The Information from the above processes is then aggregated (ideally by business units, departments, and locations as well as enterprise-wide) to develop the organization’s current inventory of job roles, skills and leadership. It is important to record *strengths* as well as weaknesses, since a good talent management strategy will address — and improve — both.

The combined company and employee information becomes the organization’s job profile and talent profile “system-of-record” (also commonly referred to as the Talent Management System-of-Record”).

Once the current state is clarified, the organization can identify how far it has to go to reach its desired-state destination.

“Rather than simply building out a suite of bolt-on applications, system-of-record companies will be able to leverage the content and data collected within the system, including information such as skills, competencies, behaviors, interests, values, career plans, and compensation history.

Over time, this data can then be used to develop a better understanding of companies’ employees—creating an employee talent or performance master data model. We believe this platform will serve as the operating system for all HCM applications..”

- “ThinkPeople-Power: Picking The Big Winners In HCM”, Enterprise Software Industry Report
Nate Swanson, ThinkPanmure Partners LLC, February 14, 2008

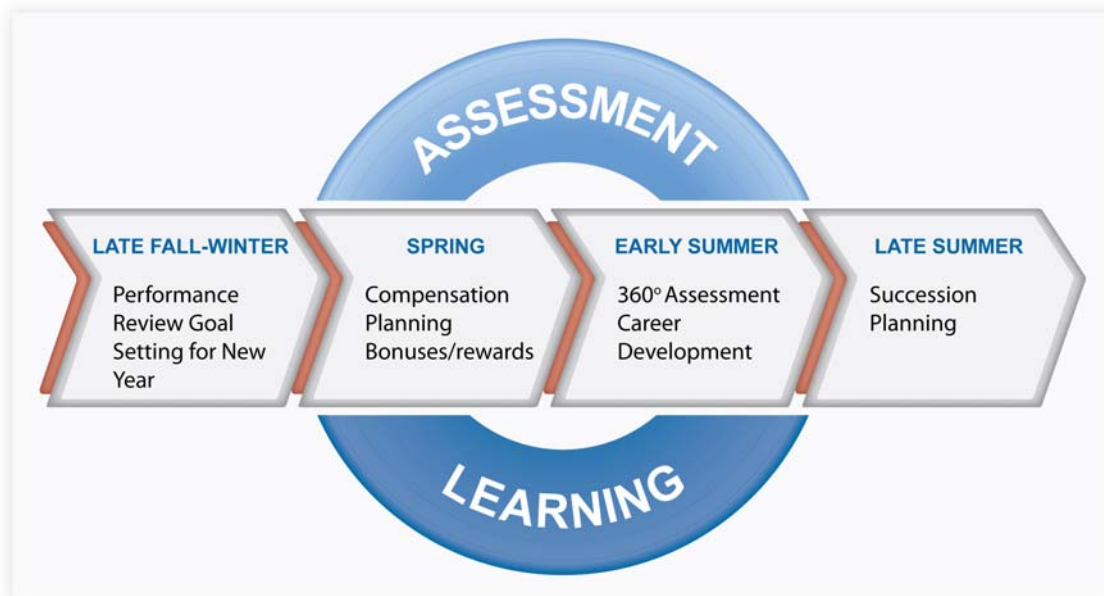
Identifying gaps to reveal important pain points

The organization may discover, for example, that there is a gap between the performance process and development, or that the current development process does not provide the visibility management needs to evaluate — and enhance — readiness. This information will be of great value when the organization moves from strategy into choosing and implementing systems.

Step 4: Define the Annual Talent Management Timeline

The starting point and destination are now clear. The competencies linking the two are clearly defined and the talent management “system-of-record” has been defined. The next step is to clarify the journey itself: what specific vehicles to use, what milestones to look for when, and where and how to “refuel.”

Start by mapping out an annual timeline. The timeline differs from organization to organization, depending on factors such as whether there are once-a-year or multiple performance reviews and when bonuses are awarded. In a typical organization, the basic timeline might look like the following diagram.



For optimal talent management, learning and assessment take place continually throughout the year

Note that assessment activities should occur outside the appraisal process. This enables managers to create an environment in which employees are more receptive to observations about where they stand and to coaching on specific actions they can take to become better candidates for recognition, rewards and promotions. Employees can also be encouraged, and automatically reminded, to keep their talent profile updated. By increasing employees’ level of engagement, these talent management processes also improve retention rates. Additional positive results include employee and company goal alignment and improved business results.

A continuing cycle of learning and assessment also gives the manager more power to help employees shore up any performance weaknesses and amplify successes in time for these efforts to make a difference on annual performance reviews and as part of the company’s succession planning.

Step 5: Culture Shock - Managing Change to Secure Buy-in

“We believe creating this system-of-record is extremely important, as it not only improves human capital processes, but also the overall performance of the organization. For most companies, people are the key ingredient towards driving innovation and new product development, acquiring new customers, identifying new market opportunities, and key to driving top- and bottom-line growth, which increases the overall value of a firm and thus creates wealth for its employees...”

- “ThinkPeople-Power: Picking The Big Winners In HCM”, Enterprise Software Industry Report
Nate Swanson, ThinkPanmure Partners LLC, February 14, 2008

Implementing a formal talent management process can represent a major culture change for an organization. Employees can be very resistant to the new visibility of their performance and the direct link between their performance and their career path and compensation. That’s why change management is an essential consideration.

A good talent management process will do a lot of the work of “selling” the idea to employees and managers. For example, by taking assessment out of the once-a-year performance appraisal, employees will experience managers more as mentors, regularly checking in, modifying their goals, and assigning them relevant learning activities. This will play a major role in transforming the perception from “criticism” to “constructive criticism.” This in turn will go a long way toward winning buy in from managers and employees alike.

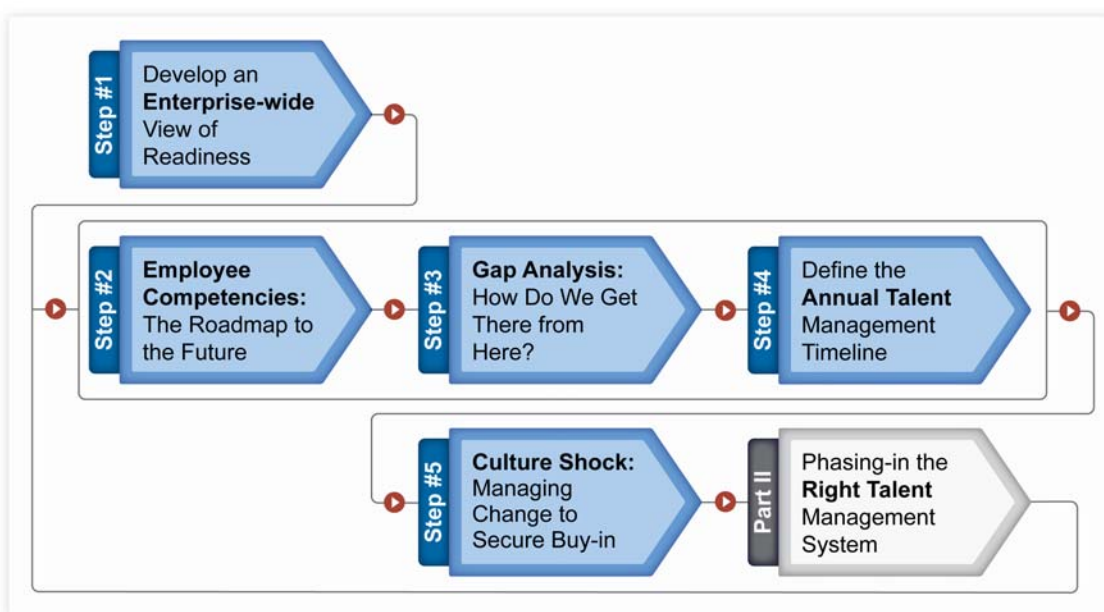
Before the actual talent management system is deployed, however, negative stakeholders may try to undermine the speed, success and value of the initiative. To prevent this, use this strategy-development phase to think ahead to communication and learning experiences that can ease the “culture shock” and create positive readiness for employees to embrace the new system.

Next Steps

Once completing Steps #1-5 above, the organization will have well-documented inputs and a solid talent management strategy. In summary this strategy will:

- Articulate how the “desired state” (performance, skills, competencies, competitive edge) will be attained, measured, and aligned with business goals
- Inventory skills, job roles, competencies, and employee talent profile
- Establish the talent management “system-of-record” and what is required to build it
- List gaps, pain points and procedural weaknesses/frustrations with the current process
- Map out the timeline of annual talent management milestones
- Anticipate the change management issues to address in implementing a talent management system

Armed with this solid talent management strategy, the next step is to begin creating a fully integrated talent management system. Part II of this white paper series, “Phasing-in the Right Talent Management System,” provides suggestions and best practices on how to get started and how and when to incrementally add additional talent management processes and capabilities. Part II includes multiple scenarios that cover logical paths in terms of the talent management timeline. The whitepaper also includes rationale and pre-requisites for each scenario and individual steps.



Evolving & updated based on business and company specific talent management roll-out plan

About Plateau Systems

Plateau is a leading provider of [talent management software](#), content and [services](#) designed to increase workforce productivity and drive business success. Plateau's award-winning software is powering talent management initiatives across some of the world's [most successful organizations](#), including the American Red Cross, General Electric, the Internal Revenue Service, Capital One Services and the [National Aeronautics and Space Administration \(NASA\)](#). Industry analysts at [Bersin & Associates](#), Forrester Research and other leading information and technology research and advisory firms continue to recognize Plateau's leadership in delivering best-in-class functionality, technology and customer satisfaction. Plateau is headquartered in Arlington, Virginia and has offices across the United States, Europe and Asia Pacific. For more information, please visit www.plateau.com.

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