

## Talent – the whole systems approach

### Every organisation contains talent

Within every organisation, there are people who are more gifted than their colleagues, perhaps more clever, intuitive, better leaders and strategic thinkers. Perhaps they bring in new business or inject greater energy and creativity into whatever they do. They perform well in their jobs, but it's clear to everyone around them that they still have plenty of potential to advance further.

These individuals may seem like rare orchids or they could be a sizeable group that constitute the business' intellectual capital (such as a law firm or a pharmaceutical company). It may be that these high fliers head key posts in the organisation and that some of them will become the next generation of top leaders.

Alternatively, these talented people could be frustrated and disengaged. Perhaps they are trapped in functional silos or local business units where their potential is not fully recognised or developed. For them, the only way to move up is to move out – often to major rivals.

We are starting this discussion with the premise that every business contains some talented people, individuals who distinguish themselves from others by some special quality or ability. It is our belief that the talent of these people is not always enough to guarantee their success. These people do not always act like the proverbial cream and automatically float to the top of their organisations. No matter how gifted, these people need to work in organisations which nurture their talents and provide them with an increasingly larger stage upon which to test their abilities and potential.

### The so called 'war for talent'

We also know that the so called 'war for talent' really is happening, right here, right now. A number of trends are coalescing to create an unprecedented demand for talented people and an unprecedented shortage of traditional sources of talent, namely young people and more experienced professionals. Demographic changes are also posing serious problems for businesses in Northern America, Europe and the UK. Here are some of the statistics:

As their population ages, many developed economies are seeing *fewer young workers entering the workplace*. At the same time, there will be *fewer mature and experienced employees available*:

- Approximately 50% of European men aged between 55 and 64 have stopped working. By 2050, one in three will be retired.
- Between 40% and 70% of all senior executives will become eligible for retirement at most major corporations (Gandoossy & Kao, 2004).
- The next generation of leaders is also shrinking: the number of people aged between 35 and 44 is estimated to be falling by 15% or more in the majority of developed countries.

More specifically, in the UK:

- Since 2000, the number of young people reaching working age has fallen 60,000 each year (ONS National Population Projections Oct 07).
- The National UK Skills Task Force estimates that the decline in people aged between 15-24 entering the labour force will create a net shortfall of two million employees by 2010.
- By 2016, the average age in the UK is expected to be 40.6 years (ONS National Population Projections Oct 07).

The UK is also experiencing a serious 'brain drain':

- Over 20% of the UK's nationals with a university degree live in another OECD country (OECD Development Centre: Migration and the brain drain phenomenon)
- UK government estimates indicate that one in four emigrants from the UK in 2004 were in managerial or professional occupations.
- An OECD study reveals that Britain has lost one in 10 of its most skilled people and is experiencing the worst 'brain drain', compared to 220 other countries. Of those emigrating:
  - 27.3% had health or educational qualifications
  - 37.7% held humanities or social science degrees
  - 28.5% were scientists or engineers.

These trends have serious implications for any company that wants to recruit and retain talented staff. Businesses will have to compete harder for young people and skilled professional workers – not only against other national and foreign rivals but even companies

from other sectors which have been forced to look further afield for key specialist skills. An effective talent management strategy will also depend on tapping into non traditional sources of talent such as women, people from ethnic minorities, foreign workers and older employees.

## The talent story: a whole systems approach

Talent is undoubtedly becoming an ever more precious resource. Organisations, whether in the private or public sector, cannot afford to take a laissez faire approach to its talented people. They need to know who these individuals are. They need to have in place a talent strategy and framework that ensures high potentials thrive and make a maximum contribution to business performance.

Talent management is not simply a set of processes. We would argue that TM is more than robust performance management and L&D strategies. These processes are vital, but they tend to focus on immediate job performance. While PM and L&D help staff to become competent in their current role and perhaps prepare them for their next promotion, this is not the same as nurturing talent.

Effective TM is something larger, something to do with how both individuals and organisations interact and work together. Relationships are as important as processes. Individual motivation and aspirations rank equally with corporate needs and ambitions. We have found it helpful to view this as a 'whole system story' where many different components interweave to determine whether and how talented people flourish. To achieve sustainable improvements in business performance, we need to see managing talent as a complex, adaptive, whole system challenge.

The 'talent story' contains a number of key characters within and outside the organisation. The 'plot' revolves around creating a set of formal processes that supports high potential staff as well as a culture that values talent.

The 'denouement' is when the abilities and aspirations of talented individuals are aligned with the company's strategy – talent can then be deployed for maximum impact. The organisation's employees, customers and business rivals experience the difference.

## Your talent story

You might think there is no 'talent story' in your organisation because you do not have any formal talent management strategy or processes in place. Such an assumption would be wrong. Even if there are no explicit processes for managing talented people, your organisation recruits (occasionally/regularly; deliberately/accidentally) talented people. Formal processes and the culture of both their working environment and the wider organisation combine to influence whether they:

- are recognised as talent
- receive opportunities to develop their potential
- feel valued by the organisation and enabled to make a significant impact.

This is effectively the 'talent 'story' that goes on within any and every organisation. This hidden narrative begins when a talented person is recruited by an organisation, experiences its culture and navigates through key processes (appraisal, training and development, transfers and promotions). The question is, do you know what happens to your talented people from the day they join you to the point where they leave? Do you understand your own unique talent story? Is it a happy story, or are there some darker undertones within your culture and working practices that undermine or derail talented people?

## A story with two possible endings

The talent story can end well, where the company recognises and invests in the talented person. In this version, the story has a happy ending for its key 'characters':

- **Talented individuals** feel valued – they have plenty of opportunities to stretch their potential and progress in their careers.
- **Employees** experience a 'buzz' from working with talented people. They believe the company makes good judgements about performance and potential. Senior managers distinguish the people who make a real impact from those who just 'play the game'.
- **Line managers** are valued and rewarded for actively spotting and nurturing talent.
- **The HR director** is confident that the company has a reliable pipeline of talented people who are being prepared for key roles and promotions.
- **The chief executive** and **the executive team** are confident that the company has the right people in place to outstrip the competition and keep pace with a changing business environment.

- **The parent company** views its subsidiary as a major contributor to its group wide/international talent pool and also sees it as a great place to develop up and coming talent.
- **Customers experience the difference.** The company acquires a reputation among its customers and business sector for employing the best people. This enhances the company's reputation and brand and helps attract even more talent into the company.
- **External stakeholders**, especially shareholders, are confident that the business is led by the best individuals and has robust succession planning in place.

Unfortunately, the talent story can end less happily. In this version, talent is undervalued and under-utilised, with some of the following consequences:

- A steady haemorrhage of experienced managers and specialists, many of them going to key rivals.
- Difficulty in succession planning – there just does not seem enough high calibre individuals to draw on.
- A wide variety of opinion across the organisation about what it means to be talented. There is little consensus about how to judge potential.
- Confusion, especially among middle managers, about how to keep progressing. Promotion and progression appears to depend on a senior manager's patronage rather than formal appraisal processes.
- Despite a variety of T&D/leadership programmes, senior managers are not confident that the best people are being identified and developed.
- A widespread perception among managers that responsibility for talent management lies solely with HR.
- Difficulty in recruiting high performing graduates or losing them within a couple of years once they finish their basic training/graduate intake programme.
- Difficulty in recruiting high calibre staff from occupations that are experiencing skills shortages.
- Disengaged middle managers and specialists who seem to lack energy and commitment – they do their jobs satisfactorily but rarely go that extra mile to achieve something special.
- Line managers who try to keep their talented staff from the rest of the organisation or who deliberately block their progression due to jealousy or rivalry.

## Working towards a happy ending

Our research with clients reveals that companies often have some good 'action' in place but that their overall approach to talent is piecemeal. Often, talented people are 'picked up' at different points in their career by different processes but there is no long term, integrated strategy for ensuring they develop their skills and maximise their potential. The company may have some effective people processes:

- external recruitment
- a range of T&D and leadership initiatives
- an appraisal process
- mentoring and coaching (as a remedial exercise or to accelerate development)
- succession planning for critical senior roles
- diversity strategies to ensure targets for recruiting women and BME staff are met.

However, these initiatives may not in themselves contribute towards a talent strategy. Key questions to ask include:

- Is the focus on ensuring posts are filled with a suitably qualified individual or with someone who is outstanding?
- Are they helping to prepare employees for their next position or taking a longer term perspective (perhaps by moving them into a riskier, more challenging role)?
- Is the emphasis on job performance or on potential?
- Does someone's 'promotability', rather than their talent, have the strongest influence on their career (i.e. 'mavericks need not apply')?
- Is the emphasis on remedying underperformance or on building on superior performance?
- Is the spotlight on an individual's weakness and gaps in competency, or his/her unique strengths and qualities?

Initiatives targeted at talented employees can also be uncoordinated and poorly linked. Some line managers are much better than others at using processes and tools for spotting talent. There are 'talent champions' among senior managers and perhaps a highly committed HR team. However, no one has a clear sense of how the talent story unfolds in the organisation. For that reason, it is very difficult to rewrite the story and ensure a happy ending.

We are working to identify the themes and actions that will help organisations revise or completely rewrite their talent story. Each organisation has its own unique story. There are no

simple prescriptions or formulaic devices for this form of story writing. We think the following components could help organisations move to a happy ending.

**A strong 'theme' and vision.** The case for talent needs to be clearly articulated by the CEO and executive board. The focus needs to be external so that talent is talked about in the context of the company's competitiveness, the external market place, performance for customers, and the war for talent. CEO's often have an urgency about talent (\*Economist study) which does not always reach deep enough into the organisation. The only way to engage the rest of the organisation is to communicate strenuously how the talent strategy links with the strategy of the organisation and its performance for customers.

***What is the case for talent in your organisation? Is there a clear understanding of how the talent strategy can help achieve the organisation's strategy/objectives and benefit customers?***

**Engaging key stakeholders.** We've used the idea of the talent story because we know there are many key characters who help determine how the plot unfolds in the organisation. Some of these people can be outside the formal TM systems. For example, in a UK retail business, the company's branch managers have responsibility for identifying 'rising stars' to the corporate centre. In reality, the national heads of buying who regularly visit the stores have the real say in who is classified as talent. In any organisation there will be people who act as talent champions or gatekeepers to the formal/informal talent processes, or who play an important role in spotting and nurturing talent. These characters need to be worked into *your* story, rather than left to develop their own plot. Key stakeholders could include the HR team; line managers; senior managers who 'endorse' or sponsor talent, organisational mentors and coaches who bring along younger talent.

***Have you identified all the key characters in your talent story? Do you know who are your talent spotters, champions, gatekeepers, coaches and mentors? How can you engage them in your talent strategy?***

**A shared 'talent language'.** Most stories would be doomed to failure if they consisted of a polyglot of different languages. Yet this is often the problem with talent initiatives in organisations. Individual managers, functions and team often think about talent in quite different terms, leading to a confusing variety of definitions about who is or isn't talented. Judgements about potential can also be highly individualist and subjective.

***Is there a consistent and credible definition of talent and potential within the organisation? Do you need to segment talent into different categories (specialist skills, leadership and management skills, intellectual abilities and personal qualities) and engage different parts of the organisations in their definition?***

***Defining your talent pools.*** It is important to identify which group of employees constitute your talent pool. These could be graduates, specialists such as engineers or scientists, or general managers. You may need to target certain types of employees who are under-represented in these groups (for example women, ethnic minorities or people with international experience and language skills). It is critical that you monitor your talent in some way to ensure that your talent is not 'leaking' away at certain career stages and that the pools have enough entry points to ensure they are replenished as necessary.

***Which groups of employees constitute your most vital talent pool? Do you have enough information about how and when talent is gained or lost? Can you also draw upon non traditional sources of talent for your talent pools?***

***Managing your talent pools.*** Your talent strategy needs to concentrate on the talent pools that need active managing and extra intervention. It may well be that informal processes such as coaching and mentoring or the work culture ensure talent at a certain level or part of the organisation is spotted and developed. Thereto, formal processes like professional training and development, are working well. However, you may find that talented people need additional help at a certain time, especially when they reach different life and career stages. This could be when an individual begins to change from a specialist into a manager/leader. Maybe it is when your graduates finish their development programme or professional qualification scheme. There could be a group of experienced employees who need extra support and nurturing as they approach senior positions. Perhaps your junior partners or executives need help to develop new or more complex skills.

***How well are your existing processes supporting your talent? Do you need to build in additional forms of intervention for certain groups of talent, or when talented people reach important career transitions?***

***Identifying your talent.*** Some organisations believe strongly that their talent management processes should be open and transparent. They believe that talented people need to hear their organisations value them. They are also confident that the organisation's culture ensures that the rest of the organisation supports talented people, rather than resenting them

or blocking them. Alternatively, some organisations believe there is more benefit in keeping decisions about talent behind closed doors. They may not tell people they are part of the talent pool, or if they do, ask them to keep this private.

***Should you be open about how you identify and develop talent, or would this cause too much resentment among the 'non talent'? Does your culture support a 'transparent' or 'opaque' talent management system?***

***The role of talent managers.*** One barrier to a holistic talent strategy is unclear ownership of talent. Perhaps no one is taking responsibility for spotting and developing high potentials. The HR team feels it is a 'voice in the wilderness' and that there is no commitment or leadership from the top. Alternatively, there is an internal 'war for talent'. Local and central divisions are fighting for talent. Individual line managers are trying to hold on to their best people. Is the answer to create a central, dedicated TM unit or to work through the line, ensuring that line managers play a pivotal role in the talent strategy?

***Is there clarity around who owns talent and how talented people should be developed and mobilised across the organisation to the benefits of the business and its customers? Would it be best to create an integrated TM unit or to work through line managers?***

## What's happening for you?

To what extent is your system likely to have a happy ending?

What might you think about doing differently in order to have the best chance of success?

Things to consider:

- know what performance difference you want for customers, what talented people could do differently to help bring that about, and therefore what managers of talented people should do differently in order to help
- see and understand what this means for all elements of the system (talented people, CEO, directors, middle managers, talent managers etc) – and in particular how the relationships between these elements might need to shift for the greater good
- work out how to support these various shifts (for example by rewarding and recognising people differently, by developing people differently, by engaging people in decision making differently, or by matching talented people to challenging corporate projects)
- help senior people to take responsibility for choosing what they want the talent strategy to do for them, and how their lives could be made easier.