

# What's Next? Re-defining Talent Management Solutions-- A Customer Perspective



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Re-defining Talent Management Solutions -- A Customer Perspective

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## Major Shifts in Talent Management / Talent Intelligence Landscape

The transition from automating and enabling HR processes for efficiency gains and some modest (empirically-demonstrated) improvements in productivity, to being focused on people-related outcomes and results through more effective “HCM” programs, has been very instructive. For one thing, it has certainly given us sufficient grounds to *desire* to go much further in terms of leveraging Talent Management Solutions and Talent Intelligence to identify and pursue major opportunities for sustainable competitive advantage.

More specifically, we’ve learned that focusing on improving people-related outcomes through effective HCM programs was still “off-the-mark” as a business strategy leading to enterprise value-creation, for two primary reasons that could affect the ability to *deliver*, including:

- HR stakeholders were still principally accountable for the results versus non-HR or business stakeholders, and;
- Workforce performance and business performance were still not being organically linked through merged business metrics and a cross-domain perspective overall.

Talent Management Solutions, as a category of enterprise software in particular, are without question at a crossroads. As most end-customers of these technology assets would likely attest, the term Talent Management Solutions has become associated with managing everything from fairly tactical transactions and events in the HR/HCM domain ... like contingent worker procurement and on-boarding ... to very strategic workforce planning, optimization and decision-support activities enabled through integrated software modules or suites.

When a business term gets co-opted or too broadly applied to this extent, it is generally the case that two things have occurred: (1) vendors or providers of relevant services / solutions are driving terminology and the business narrative much more than customers (not a sustainable situation); and (2) the term will likely soon be recast or re-defined so it may serve a very useful purpose for BOTH providers and customers. This paper draws upon years of experience as head of HR Technology and Talent Management processes for major Financial Services organizations, so the customer perspective is fairly prominent throughout.

One of the fundamental ways that Talent Management Solutions and Talent Intelligence are changing is represented in how the word solution, or notion of an effective solution, has taken on a different meaning. It now has a more holistic quality, in contrast to previous iterations which were arguably very technology-centric. Today, more consumers of these solutions recognize that a ‘solution’ is whatever combination of people, tools, platforms and resources that should be brought to bear to address a business requirement or problem, or gain incremental perspective on ways to optimize business performance.

Pursuing incremental business insight or perspective has maybe been shortchanged in the over-commoditized world of enterprise software solutions (including in the Talent Management Solutions arena), but signs point to this dynamic changing. A key implication here is that, in the shift away from being technology-centric and

fairly linear in solving complex business problems, end-customers need services / solutions partners that can be very responsive no matter which component of the solution winds-up being the dominant component – in essence, a “concierge approach.”

One just has to consider the most basic type of report HR departments around the globe used to provide to their internal customers - a Headcount Report – and recall all of the debates that ensued over interpreting this very basic information. Fast forward to today and you have infinitely more complex, sophisticated presentations and aggregations of information that clearly benefit from experts supporting the process of interpreting information, determining the best course of action, and assessing the outcomes of various business actions. This essentially frames the new incarnation of a ‘solution’ in the Talent Management space... the convergence of people-based guidance and analyses with tools and technology (as needed), and feedback capabilities to validate or re-calibrate courses of action.

Much more attention is clearly being given to business intelligence, or perhaps more aptly said, the business of talent intelligence -- ranging from leading and lagging indicators in the form of predictive and/or descriptive metrics, and extending all the way to neural networks to uncover non-intuitive relationships between various talent management elements. Retail giant Walmart was actually one of the pioneers of using data warehouses to track customer buying patterns, and neural networks to uncover hidden relationships between customer data points. It was in this context that they discovered beer sales went up when diapers went on sale -- perhaps once highlighted, a somewhat logical connection.

Well, the Talent Management / Talent Intelligence domain is now coming around to leveraging the same tools and approaches to discover -- for example – that (undesirable) voluntary turnover often increases during periods of economic downturns and high unemployment. While not intuitive on its surface, there’s logically a tie-in with very low levels of employee engagement due to events going on within and external to the organization.

Another point to mention regarding how Talent Management Solutions and Talent Intelligence seem to be evolving; and it’s likely a by-product of moving away from the tendency to always “lead with technology.” Business problems and opportunities are beginning to trump business processes as the new central focus of Talent Management Solutions. Solving human capital-related business problems and pursuing transformational business opportunities -- by connecting the talent agenda to all other business domain agendas -- is a hallmark of today’s more successful businesses. This trend has resulted in employee information and talent metrics commonly being integrated with foundational information from the Finance, Sales, Customer Management, Product, Supply Chain and Operations aspects of the business – in addition to labor market data, competitive data, broad economic indicators, etc.

If there are any lingering doubts that Talent Management is no longer uniformly viewed as the domain of the HR function, but rather increasingly viewed as a critical enterprise-wide responsibility and results area to be integrated with all other critical results areas (just like “quality”), those doubts are perhaps being erased by the latest research findings in this area. For example, Bersin & Associates’ Talent Management Factbook (June 2010, Executive Summary) found that organizations with the most integrated and ‘business-driven’ approach to talent management experienced *half* the turnover of organizations that still relied on independent, silo-

based talent mgt processes --- with little integration or convergence between the talent agenda and the business agenda. At fully-loaded replacement costs approximating an employee's annual salary in many cases, this difference obviously translates into many millions of dollars for larger organizations.

Another prevalent theme in recent Talent Management research revolves around the current speed of business, including the frequency with which major restructurings are occurring. On a related note, a Towers Watson Research Update (2009/2010) entitled "Impact of Recession on the Employee Value Proposition" found a large disconnect between the perspective of employers and employees on the potentially adverse effects of restructurings (including right-sizings) on both Quality and Customer Service. In the research, only 17% of employers believed frequent restructurings were having a deleterious effect, but in stark contrast, 41% of employees viewed the restructurings as harmful to the organization.

The bottom line is that the vast majority of medium-to-large organizations likely had to negotiate the rough waters of multiple game-changing events in the last 24 months, most of which involved talent -- and the intersection of the talent agenda with the broader, go-forward business agenda.

### **Leveraging the New Talent Intelligence for Addressing Misalignments**

One of the potentially highest impact areas for focusing Talent Management Solution is predicting, identifying and managing potential misalignments between employees and the enterprise. These misalignments are often centered around what the employee currently values vs. what the organization currently values; and can easily result in engagement / retention / productivity issues, compensation and other employee cost over-spends, or in some cases, the total inability to execute critical aspects of a business strategy. Considering that both the organization and the employee go through cycles in which fundamental drivers can change, it is easy to understand why these misalignments occur with great regularity.

Differences or disconnects between employees and the organization as to what is viewed as important will continue to be heightened by inter-generational views on the work experience and employee/employer relationship. Many recent studies have also highlighted the various challenges inherent in managing such a complex and diverse set of employee attraction/retention/engagement drivers (as each generation has different drivers), particularly during a time when employee engagement is generally 'low' across the board. The research conducted by Towers Perrin and published in their 2007/2008 Global Workforce Study entitled "Insights to Drive Growth" is the largest polling study to-date on the views of the global workforce (90,000 individual responses from 18 countries). Findings included the fact that 'enrolled employees' (competent but unenthusiastic workers) were perhaps the best place to focus enterprise Talent Management and Talent Intelligence efforts. After all, this group is comprised of flight-risks who will create capability voids. The Global Workforce Study also calculated that a 10% increase in employee engagement would typically decrease turnover by 2.4% and absenteeism by 2.7%.

An increasingly popular way to maintain alignment around what the employee values and what the organization values is to cost-optimize the personalization of rewards and incentives for those employees who are critical to the success of the business. This can sometimes result in spending less money (e.g., by offering

flexible work options or providing services geared to what the employee needs at different life stages) and getting a stronger retention or engagement impact. Another area of potential misalignment is more challenging if not impossible to correct to everyone's satisfaction, and that is when an employee's competencies (hard to change in short order) are becoming less important to the health and future of the business. One of the most important applications of a competency model is to monitor changes in how the company values each competency; i.e., its criticality for future business success.

To reiterate a previous point, it is pretty basic that technology alone cannot guide an end-customer to potential misalignments between employees and the organization. This is an area ripe for a data-driven perspective and analysis framework with a concierge approach of focused and insightful needs serving, and the use of experts or advisors with capabilities to quickly understand and identify common patterns, antecedent conditions, warning signs and roads to solutions. Technology in this business scenario serves the purpose of housing data, making it accessible to the right people, and properly framing it for analysis and reporting/presentation. Again, this is not about business process automation, as these are business problems not business processes.

While new approaches to harnessing Talent Intelligence include the ability to identify these potential misalignments (ideally before they occur), the new Talent Intelligence is again mostly characterized by data and people-driven insights and perspectives that span multiple business domains or categories. **The following 5 scenarios highlight how Talent Management Solutions, Talent Intelligence and Business Intelligence are converging**, representing a major opportunity for organizations that have the ability to recognize and manage this convergence process with the right 'solutions':

#	Business Issue / Scenario	Cross-Domain Aspects
1	What products and services should we be investing in or divesting based on both external market and internal talent-related considerations?	<ul style="list-style-type: none"> <li>• Projected labor costs</li> <li>• Projected labor availability</li> <li>• Core competencies and competitive differentiators</li> <li>• Customer spend trends</li> <li>• Historical data on revenue / profitability per product/service</li> </ul>
2	Where can we afford to reduce staffing levels vs. not afford to reduce staffing levels?	<ul style="list-style-type: none"> <li>• Historical data on revenue / profitability per staffing levels</li> <li>• Business unit performance after previous staff reductions</li> <li>• Key jobs and higher performing employees</li> <li>• Customer and market trends</li> </ul>
3	What are the key factors behind our declining sales and which do we have the most control over?	<ul style="list-style-type: none"> <li>• Sales data by product / svc, geography, sales unit</li> <li>• Marketing and R&amp;D spend by quarter and product / service</li> <li>• Market share trends</li> <li>• Revenue per sales and non-sales related employees</li> <li>• Fixed and variable sales compensation cost trends</li> </ul>
4	What is really behind our escalating cost of employee benefits?	<ul style="list-style-type: none"> <li>• Recent changes in plan design and employer/employee costs</li> <li>• Recent hiring freezes and staff reductions ... and potential impact on workforce profile</li> <li>• Headcount fluctuations by geo</li> <li>• Safety, workers comp and overtime hours data trends</li> </ul>
5	Is it in the company's best interest to continue, decrease or expand its expatriate	<ul style="list-style-type: none"> <li>• Local labor market dynamics &amp; cost/availability projections</li> <li>• Productivity differences between expats and locals</li> </ul>

program?	<ul style="list-style-type: none"> <li>• True and total cost of expat program (including turnover of disenchanting locals)</li> <li>• Key business unit performance based on having/not having expats</li> </ul>
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**Summary**

This paper explored some of the key ways that Talent Management Solutions, Talent Intelligence and the Talent Management domain are continuing to evolve, including the emergence of business-driven approaches that are in-fact owned by the business, a much more holistic notion of a ‘solution’ concept, extending past enabling business processes to now directing tools and resources at game-changing business problems (and opportunities), and identifying / managing the ever-increasing misalignments that occur between employees and the organization. Meeting all of these challenges head-on will clearly require data and people-driven insights and perspectives as well as practitioner and leader enablement that span multiple business domains.

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