



Change agenda

TALENT MANAGEMENT UNDERSTANDING THE DIMENSIONS

Introduction

The changing demographics of the labour market, enduring skills shortages and employee demands for work-life balance have created a so-called 'war for talent'. In this 'war', successful organisations look to improve their strategies, policies and practices for the attraction, development, deployment and retention of talent vital for their business needs. They therefore have to aim to understand the capabilities needed in their organisation and determine the actual or potential talents required of employees.

The preliminary research work undertaken so far by the CIPD and others has shown that there is a variety of approaches to talent management and no one blueprint that can be applied to all organisational contexts. Each organisation has different resourcing requirements for its current and future 'talent pipeline', as well as different issues concerning how best to meet these requirements. It's these considerations that should determine the talent strategy an organisation develops.

Previous CIPD research that relates to talent management includes:

- the Change Agenda *Reflections on Talent Management*
- the learning and development annual survey report 2006
- reports and surveys on learning and development; recruitment, retention and turnover; flexible working; diversity; and international issues.

This Change Agenda draws on existing literature on talent management, discussions with HR specialists and consultants in the UK and abroad, and exploratory discussions with case study organisations. It's part of a year-long CIPD project on talent management that for the first time considers talent management in a strategically integrated way in the global, national and organisational context.

The project addresses the following research questions:

- What is the meaning and nature of talent management and succession planning in particular organisational contexts?
- What are the key challenges faced by organisations in their approach to talent management?
- How are talent management and succession planning policies linked to the overall business strategy and areas of corporate governance?
- What are the measures of success/critical success factors for talent management initiatives for both the management of the organisation and its employees?
- What are the key challenges and solutions envisaged or currently in place for 'operationalising' talent management and succession planning initiatives?

As an illustration of the key challenges of the whole talent management process, throughout this Change Agenda we include material from one of the case studies in the research: Cargill – an international provider of food, agricultural and risk management products and services.

The research also involves nine case study organisations of a variety of sizes in the public, private and not-for-profit sectors:

- Cargill
- Derby City Council
- Google
- Gordon Ramsay Holdings
- Legal Services Commission
- London and Quadrant Group
- PricewaterhouseCoopers
- Standard Chartered Bank
- North West Wales NHS Trust.

The main findings of this research will be available in spring/summer 2007. For more information, go to www.cipd.co.uk/research

What do we mean by 'talent management'?

Talent management is difficult to define because it's a complex undertaking that operates within the strategic human resourcing task generally. In the CIPD's 2006 learning and development survey, only 20% of respondents specifically had a formal definition of talent management and, although 51% of respondents said they undertake talent management activities, there is generally a lack of consistency in defining talent and talent management.

Talent management requires HR professionals and their clients to understand how they define talent, who they regard as 'the talented' and what their typical background might be. It also requires thinking about whether such recruits should be seen as particularly gifted. Talent can be considered as a complex amalgam of employees' skills, knowledge, cognitive ability and potential. Employees' values and work preferences are also of major importance.

How these are all identified and measured is a challenging task, and a number of issues arise. For example, is it possible to develop a profile of what to look for when trying to recruit and select 'high flyers' – those with potential to develop into senior management or professional roles? Can we understand what motivates high flyers? How might they be assessed, then managed? What instruments should be used to assess them and what learning and development interventions should be used to help them learn and support their development? How can we retain these people and also prevent their derailment or non-suitability? How can you develop talented individuals without doing so at the expense of developing teams?

Coaching is often cited as a valuable tool for talent management of senior posts, but what is coaching used for – developing their knowledge? their social skills? their political awareness? How can talented people be rewarded – do they need different reward incentives, financial and non-financial? What's the difference between seeking out the very best, as opposed to the very good? How much does all this cost, and is it worth it?

An organisation's talent

There are also questions to be answered when considering a talent management programme. For example, should talent management be focused exclusively on an elite subgroup of future leaders of the organisation or at least those capable of progressing through a number of levels? The 'exclusive' mode of talent management is characterised by a concentration on those in one or two segments (or talent 'pools') of the workforce who are either at the top or who are identified as having the potential to get to the top by demonstrating high levels of potential or performance. If operating in this mode, there needs to be clarity about what it is that makes 'an exceptional manager' (Delbridge et al. 2006, p141), that is, one who can make a strategic difference.

However, some commentators have expressed concerns about strategies that concentrate exclusively on an elite high-potential few, rather than those that take a more inclusive 'whole workforce' approach. A more 'inclusive' approach is necessary, they argue, because '... an inclusive talent management strategy is a competitive necessity' (Chris Bones cited in Warren 2006, p25). So, should there be a more inclusive approach that recognises that there are various key positions to fill in any organisation as well as a future pipeline of the 'appropriate' skills to fill all of these positions, whatever the level?

This is no easy endeavour. Different organisations have different forms of inclusivity. Some organisations, in addition to capitalising on those identified as having the potential to be the managers of the future, also take into account professional staff, technical experts and knowledge workers. What may be ignored is the talent management of certain groups of workers, including women, those from ethnic minorities and older workers.

But, whatever the approach, it's clear that mindful attention is required for the needs of the organisation to survive current and anticipated strategic and operational challenges, as well as linking those needs to the development, performance and rewards needs of the employee.

What are the key strategic challenges of talent management?

There are a number of specific factors that are expected to influence talent management strategies, policies and practices. Externally, dramatic shifts in the make-up of the workforce can influence the way organisations recruit, develop and retain key talent in the future.

These can include:

- an increasingly global labour market
- an increasingly virtual workplace
- a vastly diverse workforce, in terms of age, race and culture
- a workforce with independent views about their own lifestyles and access to information about career opportunities.

Cargill

Challenges of talent management

Cargill is an international provider of food, agricultural and risk management products and services, and with annual sales of approximately \$60 billion and growing it is one of the world's largest companies. Founded in 1865 as a single grain elevator in the United States, Cargill employs more than 149,000 employees in 63 countries and serves five key customer segments:

- crops and livestock
- food
- health and pharmaceutical
- financial and risk management
- industrial

Cargill employees work in fields, labs, mills, kitchens, offices, production facilities and on trading floors. The company offers a variety of opportunities for entry-level recruits, senior-level professionals and enthusiastic individuals in all roles. Cargill's talent analysis is organised into different 'pools' – Next Generation Leaders – those who potentially could run a major function or business; Emerging Leaders – those who could run a business function or become a General Manager and High Impact Performers – those whose departure would significantly slow the business.

Developing an organisation with so much difference in culture, business and talent is a challenge, especially given extensive global business growth, particularly in Eastern Europe, China and Asia. The challenges are about where talent might be sourced from, how to deploy talent into new and existing businesses and how to make sure talent is retained in certain key areas. There is a realisation throughout all managerial levels in the company that to get the right people in the right places in the next five years is a priority business activity.

Demographic, legislative and social challenges to talent management

The demographic, legislative and social challenges to talent management for all organisations are immense. The characteristics as well as the aspirations and preferences of the available workforce can also have a serious impact on talent management initiatives. For example, in the UK, national and local labour markets will have relatively fewer replacements coming out of schools and universities in the medium to long term. Those leaving UK schools and universities in the 'noughties' have different aspirations and expectations to previous generations. Twenty years ago, for example, most people could expect to experience a maximum of two different jobs by the age of 25. In 2006, the figure is four jobs. Other indicators are also changing. The age of first marriage and first becoming a parent is on the increase. Current and future new entrants to the labour market are delaying making commitments to career and to family life to an older age. Competition for talent will therefore become more intense. And this isn't just a UK phenomenon. In the USA, the rate of increase in population size in the USA has decreased from 13% to just 5% in less than 15 years, and in Russia the Government is providing cash incentives to families to increase the birth rate.

With a labour market where one in five of the UK workforce consists of working mothers and up to 10 million have a responsibility for caring for elderly relatives, issues of diversity are increasingly important. The Work Foundation (Williams and Jones, 2005) reports that 80% of the 300,000 growth in the workforce between 2004 and 2010 will be women, many of whom will be seeking other than full-time work as a means of balancing their work and family commitments. As demonstrated by other research (including the CIPD's *Women in the Boardroom: A bird's eye view*), this has serious implications on women attempting to reach senior roles. The authors of the CIPD's *Managing Diversity: Words into actions* point out that traditional approaches to talent management, based on career schemes designed when the norm was a full-time male breadwinner and reflecting a linear hierarchical concept of a career, look increasingly inappropriate. Adopting strategies that are sufficiently flexible to accommodate the sort of flexible working

patterns currently expected will require an essential business-led response to talent management.

The growing priority given by individuals to work–life balance (Kersley et al. 2004; Bonney 2005) also has implications for the design and implementation of talent management strategies. A shift in employers' thinking and policy development from considering hours spent at work to the quality of contribution made while at work will do much to ensure as wide and diverse a talent pool as possible is accessed within their organisations. One example is the alignment of flexible working policies with career development schemes. Some career schemes may appear closed to those employees who don't work full-time or have continuity of employment, so under-utilising organisational talent (EOC, 2005; Grant et al, 2005). This situation is reinforced by a real or perceived lack of development opportunities, the absence of part-time career models and training and development provision that overlooks the particular constraints facing part-timers.

Pressures to use the talents of the older work force will similarly grow due to workforce demographics. At present, there are some 17 million people in the UK aged 20–40, and 14 million between 45 and 65. By 2020, the projections are that the younger group will decrease to 16 million, while the older group will increase to 17 million. Due to changes in the statutory retirement age, pension provision and age discrimination legislation, many workers now in their 50s (the 'Methuselah generation') are likely to be working well into their 60s in full-time work and have different expectations about what's offered by employers as their working lives become longer (Philpott 2006).

With regard to other diversity issues, UK labour markets will increasingly consist of non-UK talent whose ethnic origins are either as direct immigrants or as children of direct immigrants, and there has been a rapid escalation in the use of skilled migrant labour (Tatli et al. 2006).

Competition for labour is also becoming increasingly internationalised. The growth in membership and size of the European Union will accelerate this, not only in the UK but in other countries too. For example, because the USA and Russia are likely to experience difficulties

attracting sufficient talent from their own populations, employers in those economies will look to other countries to attract the talent they need. UK employers are therefore likely to experience more international competition for labour in their domestic labour markets and will have to compete internationally themselves.

Because of this demographic variety, employers are making changes to their HR practices to reflect their search for new talent, such as recruitment practices, diversity policies, training and development, and integrating and managing organisational cultures.

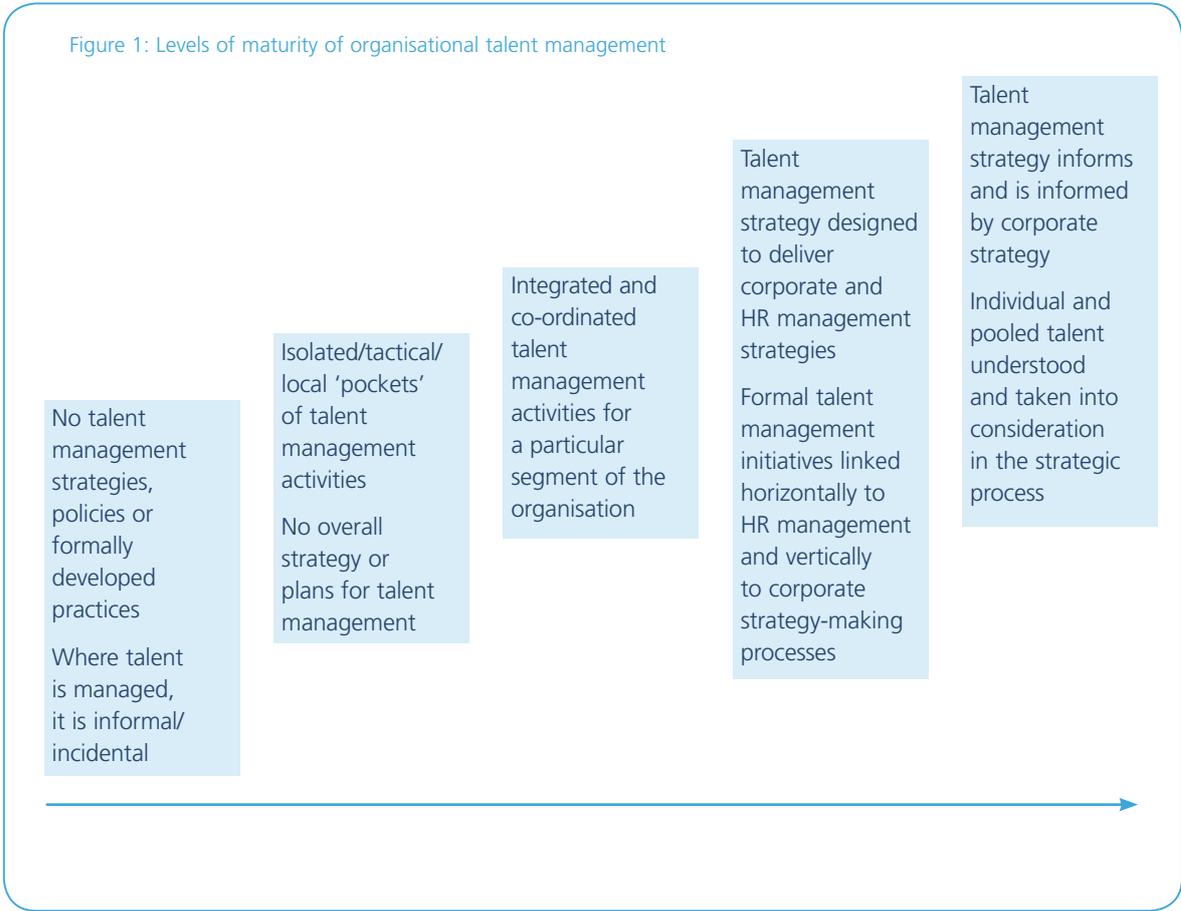
Strategic considerations of talent management

The CIPD's 2006 learning and development survey found that 74% of respondents reported that their organisation didn't have a well-developed plan for talent management. This was backed up by a survey undertaken with executive and senior managers in over 1,500 organisations, where it was found that, overall, 'there is no systematic and coordinated approach in the public and private sectors to developing and nurturing

the next generation of business leaders,' with 'judging talent ... still very much an intuitive and "gut feeling" response' (SOCPO, 2005, p3).

However, this doesn't mean that nothing is being done. The CIPD found that 75% of respondents to their survey from organisations with over 500 staff *are* doing *some* form of talent management. In this research so far, we've also found evidence of different strategic levels of engagement in the talent management process, as shown in Figure 1.

The levels range from having no talent management strategies, policies or formal practices and managing talent in an informal way, to a fully integrated process that incorporates distinct talent management strategies and practices that are not only informed by corporate strategy development but also inform them. One question that might be raised here is: 'should organisations be aiming to move from the left to the right of the diagram as a stepped progression for talent management?'



For some organisations, talent management *has* become a key strategic issue, with the recruitment, development and retention of talent increasingly being seen as critical success factors in the search for organisational objectives such as competitive advantage. It has therefore become a subject on the CEO's agenda (EIU, 2006) for board-level dialogue and increasingly highlighted in company reports and accounts. As a result, talent management will inevitably be bound up with the wider question of corporate governance – that is, the way in which an organisation is run and controlled – as well as raising questions about the relationship between talent management and succession planning.

Succession planning and talent management

Like talent management, succession planning is a complex process with many levels, layers and commentators (Giambatista et al. 2005). Succession planning is part of a succession management process where 'one or more successors are identified for key posts (or groups of similar key posts) and career moves and/or development activities planned for these successors' (Hirsch 2000). The delineation between talent management and succession planning isn't always clear. The focus of succession planning tends to be only on the *most senior* of staff, such as the CEO, members of the board or other key senior organisational positions (although it can also be used for more junior posts – particularly those that are operationally critical and/or hard to fill).

Senior staff leave for a variety of reasons: illness or death, a new job, unsatisfactory performance, personal reasons, retirement, and so on. When a top-level vacancy occurs, a decision needs to be made about how to source suitable candidates for that vacancy. The CIPD 2005 recruitment, retention and turnover survey found that managerial and professional vacancies are often difficult to fill externally, so it can make sense to look for internal candidates who have demonstrated potential to grow. Being able to source these candidates easily through effective human capital metrics held in succession planning or talent management systems can prove worthwhile. Unfortunately, as the same survey found, 'one in five participants report that no succession planning activity took place, and those who did were most likely to do so on an ad hoc basis.'

The recent unexpected exit by the president and chief operating officer of McDonald's and the quick naming of his replacements prompt such questions as: 'is the organisation in a good state of readiness to replace a key person?' and 'are there robust succession plans in place and replacements ready for both planned and unplanned vacancies at senior level?' Pitney Bowes Inc., whose revenue grew 11% last year from \$5.5 billion, has at least two people in line for most positions, including 10–15 potential candidates for CEO and other senior positions (Economist Intelligence Unit 2006).

At different stages in their careers, potential successors may be ranked in order, such as:

- 1 being ready to do the next job now
- 2 being ready for a certain higher-grade position in, say, two years
- 3 being ready for job rotation at the same level
- 4 being ready for lateral assignments on temporary relief or project work.

Succession planning in the international domain is particularly complex because of possible constraints to senior staff mobility and lack of transferable skills in language and cultural aspects. Succession planning is often a highly secretive process and is invariably expensive because it takes account of both internal and external candidates.

The relationship between succession planning and talent management

Both succession planning and talent management are dynamic processes occurring in changing times. Succession planning needs to be aligned with other areas of HR management for this segment of the organisation, including talent management, learning and development processes and performance and pay reviews. Lack of alignment can cause problems, such as having a transparent talent management process and a secretive succession planning process. In turn, talent management can be an effective 'feeder' process for succession planning or can sometimes incorporate succession planning altogether within its leadership and management processes.

Because they are concerned with the long-term health of the organisation, succession planning at senior level is primarily the responsibility of the CEO and members of the corporate board (Berger and Berger 2004) and, in collaboration with other stakeholders such as HR, they need to lead the way in ensuring succession planning is undertaken appropriately, linked to talent management initiatives and part of the whole set of corporate governance activities.

Corporate governance and talent management

Corporate governance is concerned with the duties and responsibilities of an organisation's board of directors in 'managing the company and their relationships with the shareholders of the company and the stakeholder groups' (Mardjono 2005). Such dealings should be appropriately governed, regulated and enforced, with corporate governance a process comprising accountability to shareholders, supervision of managerial activity, and setting strategic direction (Rayman-Bacchus 2003). Why should talent management and corporate governance be linked in a specific way?

Firstly, the management of talent is one area which could come under scrutiny in a company's operating and financial review, as the days when financial markets saw this as outside their sphere of concern are over. Having a clear story to tell about the efficiency and effectiveness of human capital management is therefore critical.

Secondly, in the instance where talent is seen as an exclusive group of high-potential individuals, corporate governance principles will become as important as issues such as understanding shareholder value and the organisation's approach to its customers or to its employees. Corporate governance will be a key determinant in the way top talent is selected and developed – a process that will also apply to succession management.

Thirdly, in the inclusive definition where not just one group of employees are regarded as talent, corporate governance principles will inform the way employees manage and are managed, go about their business as agents of the organisation and are measured in terms of their performance. Effective governance will require all employees, from the CEO downwards, to manage the organisation in a way that satisfies needs for accountability, integrity, efficiency and transparency – the key principles of corporate governance.

Finally, board directors themselves play a central role in UK corporate governance, and their talents also need to be identified and nurtured. The Higgs Report has also recommended that, from the point of view of UK productivity performance, progressive strengthening of the quality and role of non-executives is also strongly desirable.

Ensuring that the organisation's talent is developed within the framework of corporate governance would seem to be a key requirement of any approach to talent management.

Talent management links with corporate governance

Margaret Studer, Cargill's Corporate Vice-President of Diversity, describes how talent management and succession planning are linked, from the level of corporate governance to local HR managers:

'There has been a global talent management initiative in Cargill for some time, with a central talent management team based at our Minneapolis corporate headquarters who work to a corporate talent statement. They work with HR specialists and senior management representatives of the businesses across the world to set the standards and measures of talent, co-ordinate talent management initiatives and brief senior corporate executives on the situation. There is a major talent review exercise undertaken with the board (the Cargill Leadership Team) every two years.

In the Cargill food businesses, we currently operate a global, corporate-level labour and talent management process. This is structured on the lines of "food platforms" [collections of around eight business units that operate in the food businesses] and has representatives from Latin America, Europe, Asia etc, meeting twice a year. We're looking at the work of the businesses and considering how talent might be managed and succession planned in those businesses. We now have a workable model for their work to look at talent management and succession planning at a platform level and at a practical level.

We're also considering how to integrate talent management and succession planning on a global basis and have begun to highlight positive and negative aspects of talent management and succession planning. These will be discussed at corporate level by the board to ensure that Cargill values are embedded in future talent management and succession planning strategy, policies and practices.'

The CIPD's preliminary research started to give an indication of the link between corporate governance (and, in particular, regulatory pressures) and talent management. An interview with PricewaterhouseCoopers' Head of Development: Assurance Business, highlights:

'At PwC, succession planning is part of business as usual. Regulations mean there are limits on the time that individuals can spend with particular clients, so people inevitably roll on and off assignments. Succession planning still requires careful attention – and from time to time, it can "creep up on us".

In broader terms, each of the businesses has a three-year succession plan known as a "pipeline". This allows planning for things like key client roles, which will always exist, as well as key internal leadership and management roles. However, as the business changes – for example, with post-Enron regulatory pressure – new roles are emerging for which it is much harder to plan.'

An interview with the Programme Director for NHS Talent Management also reveals the following key drivers for talent management (at the most senior levels) in the NHS:

'... the scale of the reform agenda (they way in which healthcare will be delivered in the future); the fundamental change in the operating environment – demanding greater breadth and depth of leadership; and the requirements of regulatory bodies which place emphasis not only on what is achieved, but also on how this is achieved.'

What are the challenges in the delivery and support of the 'talent pipeline'?

The term 'talent pipeline' is a phrase commonly used to mean the different elements of the talent management process (Figure 2).

As well as ensuring each element is given equal attention, there are several aspects that need to be addressed in designing, implementing and evaluating the success of the pipeline.

Attracting/recruiting talent

In competitive international and local labour markets, there are a number of challenges in attracting and recruiting talent with high professional, technical and/or leadership potential. In many cases, the problems are the same as those experienced in recruitment generally. In recent years, successive CIPD recruitment,

retention and turnover surveys demonstrated a high level of difficulty filling vacancies. However, some particular characteristics are evident in relation to talent management.

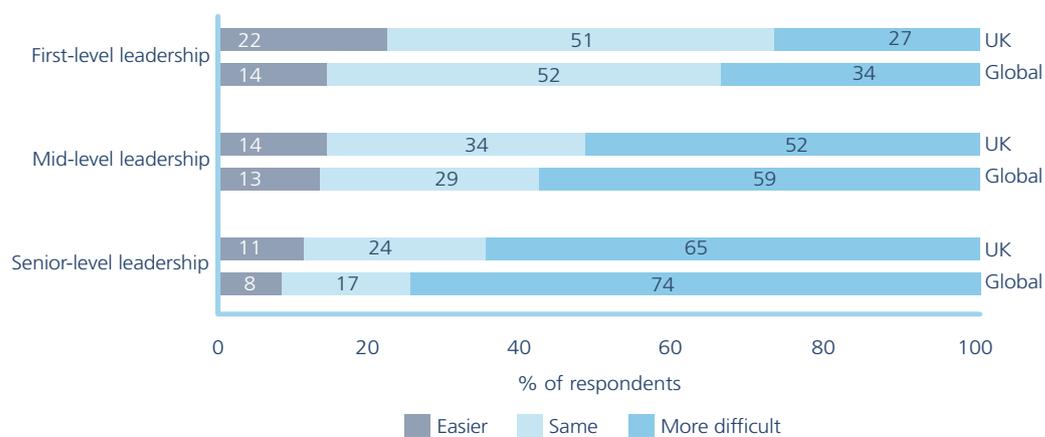
Organisations in both the private and public sectors report a shortage of leadership at board and director, middle management and team-leader level because, although both reveal a reasonable ability to attract front-line staff, this isn't the case in recruiting specialists, middle and senior managers.

The increased challenge at the middle and senior levels is reflected in a recent survey carried out by the consultancy DDI in association with the CIPD (Figure 3).

Figure 2: The talent pipeline



Figure 3: Difficulty in finding leaders



Differences in sector characteristics

There are some differences between the public and private sectors in attracting and recruiting talent. For example, the ability of the private sector to recruit to all levels appears to be stronger than in the public sector (possibly reflecting better status, reward and image), while in the public sector, local government appears to face the most acute problem in terms of attracting specialists and middle managers – more so than health and central government (SOCPO, 2005, P3).

In the public sector, the National Graduate Development Programme for local authorities, launched in 2002, is aimed at attracting high-flying generalists into local authority management, but more needs to be done to attract professional and technical specialists.

Rewarding talented recruits

Traditional development, rewards and incentive schemes for school leavers and graduates are unlikely to be attractive to current and future generations. Success in attracting and retaining the 'noughties' generations will come from innovative development and reward packages that are tailored to the general trends in attitudes and values. One clear aspect of this is the need for more personal and individualised packages. An interesting example of what might be in such packages in the future is a prediction that home location of employees will be very varied by 2016, with UK employees having permanent homes in mainland Europe and North Africa. This will be

facilitated by cheap air travel and employment conditions that allow infrequent and short visits to the formal work location. (Thomson Futures Forum, 2006). Technology that facilitates homeworking and 'virtual teams' is already available. Such technology is another facilitator of this predicted change.

Other considerations might be:

- How can the rewarding of talent be aligned with other reward systems?
- How should rewarding for potential versus rewarding for performance be addressed?
- How is reward segmented (for example, with regard to potential senior managers and specialists with core skills)?

Recruiting talent in the international domain

In the international domain, new multinationals growing business in their own developing countries and dominating their local markets are also expanding abroad. Their adoption of the same global compensation and performance management systems used by developed-nation multinationals means that increasingly indistinguishable companies are following one another around the world, offering the same compensation packages to recruit the same talent. Creating differentiation to attract and retain top talent and staying one geographical step ahead of the global competition means recreating that differentiation again and again in different locations.

Cargill

Jos Zwieneberg is responsible for HR in the Cargill cocoa and chocolate business, which has around 1,250 employees in several countries, predominantly in Holland (450 employees) and west Africa (350 employees). The other 500 employees are divided between countries such as China, Belgium, France, Germany, Indonesia, Poland, Russia, UK and Vietnam. Cocoa originates in tropical areas, such as west Africa, and is processed either in our plant in the Cote d'Ivoire or shipped to our plants, for example in Holland. From there, the beans are processed into cocoa liquor, which is the fluid material of the beans, then it's pressed into cocoa butter or cocoa powder. The cocoa liquor and butter are the main ingredients for chocolate so are supplied to the chocolate industry. Cocoa powder is an important ingredient for the bakery and dairy industries.

'We're not a company that hires people, uses their experience and then replaces them. We like to develop and retain our people. We are a company that takes personalities on board, who share the same values. It's about ethical values, it's about trust, it's about people who are taking ownership, making full use of the freedom they get. As is inevitable, mistakes occur but our people take ownership of these and learn from them. If we're hiring management trainees [as high flyers] I focus on these values. Are they credible? Are they what they say they are? Can they prove that? Have these people respect for the world, how they deal with other people, especially outside the company? It's not specifically about what they know already or what they've learned at university, but how they deal with things, and their eagerness to learn and to be open to criticism and feedback that's important.'

The linking of corporate values with talent management is seen as a major aspect of recruiting the right talent for a Cargill business.

Many organisations invest heavily in attracting and recruiting talent, with some attempting to link recruitment of future leaders with the values shown through their corporate governance strategies.

Organising groups of talent – 'banks' and 'pools'

While all organisations look to recruit talented individuals, many build collections of talent before or after recruitment. Talent banks operate where an organisation identifies and attracts potential recruits before they're required, as candidates often emerge who are clearly desirable and interested in the organisation but there may not be a suitable current opening. By periodically engaging with these candidates (especially if there's a niche position requiring special skills) and informing them when appropriate opportunities arise, companies save time and expense in future searches.

A talent pool tends to be the name given to a collective of talented employees once they've joined

the organisation. Being able to build talent pools from successful recruitment initiatives means asking questions such as 'are we an employer of choice?' Decisions also need to be made about deciding what kind of talent pools should exist, having processes for identifying employees for an internal talent pool, tools to identify those employees' skills and how to 'map' the skills to the needs of the organisation at a certain place at a certain time.

Diversity of talent

To safeguard against elitist tendencies in developing leaders of the future, a talent management strategy needs to have diversity at its heart. First findings from the recent CIPD survey, *Diversity in Business: How much progress are employers making?*, indicate that the second most important motivator for organisations managing diversity is the ability 'to recruit and retain best talent', with 64% of the respondents ranking it among the top five drivers. However, few organisations appear to have active diversity strategies in place that

would enable the building of talent across the whole organisation and ensuring equality of opportunity in the workplace.

With regard to recruitment, Ng and Burke (2005), in their study of 113 MBAs, found that high achievers and new immigrants rated organisations with diversity management as more attractive as potential employers, and women and those from ethnic minorities found diversity management to be important when accepting offers of employment.

Another aspect here is diversity of thinking. While there is some danger in cloning the types of leaders the organisation already has, for organisations attempting to recruit someone who can 'think outside of the box', say, in an entrepreneurial way, such staff can turn out to be 'mavericks'. Delbridge et al (2006, p232) suggest that: 'Mavericks who flout all rules can rarely achieve the centrality within the network of relationships among key organisational members that they need for pursuing significant initiatives. The challenge is to conform to some rules in order to earn the legitimacy and credibility to break others.'

Appraising talent

Appraisal involves exploring the actual results achieved by employees within those areas where they're held accountable and to examine the level of skills or competencies deemed critical to current and future jobs and organisational success. In relation to a talent management programme, certain specific areas are important. For example, the appraisal will not only include an examination of performance, but will also inevitably include a forecast of *potential*, which is a prediction of how many job levels an employee can reach within the organisation based on their past or current performance approaches, training or development needs, career preferences and actual and projected competency levels. Here, scales are often used in reporting potential to attain managerial or leadership skills, as well as in the delivery of organisational objectives (for example, 5 = greatly exceeds expectations, and 1 = greatly below expectations). These may change over time, depending on the pace and success of development of the individual, and a number of organisations report gathering human capital metrics on this progress.

This focus on building the capability of the individual requires employees on a talent management programme and their managers to engage in regular, constructive 'conversations'. However, it has been reported that, when the employee isn't performing to requirements, the 'difficult conversation' doesn't take place. Reasons for this can include lack of willingness or skills in managers.

Developing talent

Talent management tends to have strong commitment from the training and development community. The CIPD 2005 learning and development survey reports that 94% of respondents agreed that well-designed talent management development activities can have a positive impact on an organisation's bottom line and that 'developing high-potential individuals (67%) and growing future senior managers (62%) are the two main objectives for talent management activities'. Talent development also has to be considered in the international domain. This is a topic examined in the CIPD's recent report on international recruitment, selection and assessment.

Developing high-potential individuals

High-potential individuals will need to have their potential unlocked, be fast-tracked to retain their engagement, and developed in a number of areas, including emotional intelligence, technical skills and the ability to perform beyond their cultural comfort zones.

The CIPD learning and development survey identified that in-house development programmes, coaching and succession planning are the most common activities for talent management, while the practices rated as the most effective are in-house development programmes, internal secondments and coaching. External secondments and action learning are considered to be the least effective. With the implicit suggestion with talent management that organisations should look inside the organisation before looking outside (make, rather than buy), learning and development initiatives like coaching rather than management training really come onto the agenda.

Development of talent

Those in Cargill's different talent pools, such as the 'Next Generation Leaders' and 'Emerging Leaders' undertake both formal and informal development. In Cargill's high-performance Leadership Academy, entrants learn about the fundamentals of leadership and management in the company and work through a number of accelerated leadership modules gaining the knowledge to enable them to lead Cargill businesses. All of these courses are interspersed with more challenging projects and work assignments. Cargill corporate leaders also take part in the Leadership Academy, where they learn transformational leadership skills and the essentials of coaching and mentoring in formal programmes and informal learning activities, all of which form an important part of their leadership development.

However, care must be taken about the nature of the development and who is chosen to be developed as 'talent'. For example:

- Budgets can be badly spent because of the lack of focus on the development 'rewards' that are given to people in talent pools.
- Consideration should be given to the choice and alignment of different learning and development interventions, such as management training and coaching/mentoring.
- Offering an insufficient range of development programmes can produce too wide a separation between 'those who have talent' and 'those who don't', many naturally talented employees not being developed and employee resentment occurring.
- How does talent management link to any career planning processes in place? A number of organisations encourage employees to take responsibility for their career management, which can induce a 'sink or swim' policy where only the very strong survive. This might not be the best policy for employees requiring additional support, such as those operating in a different geographical, technical or cultural domain as part of their developmental processes.
- Potential leaders can be provided with strategic-level experience but not enough experience of operational management tasks.
- Leaders can be developed who are superficially skilled but not committed to the organisation.
- How do you work with those employees who show potential but aren't motivated to be developed/develop themselves?
- How do you talent manage employees who show different levels of potential at different stages of their careers?
- Line managers need to be adequately informed about the aims and objectives of a talent management initiative and provided with training in important areas such as coaching.
- It's clear that leaders are informally developed as well as formally. Networking and building social capital and trust come into the equation with informal processes. There are therefore questions about how and why this process comes about, in what circumstances, and so on.

Deploying talent

Deployment is an important aspect of talent management, and job rotation and job enrichment are vital aspects of experiential learning in becoming a leader. New recruits with high potential coming to a large organisation could well have expectations that they'll be required to be mobile and therefore to move around the organisation. If this doesn't happen, it can lead to employee engagement and commitment problems later on.

Developing and deploying emerging leaders

Martin Earnshaw manages HR in Europe in Cargill's businesses producing industrial starches, sweeteners (commodities such as glucose etc) and high-intensity sweeteners from the refining of corn or wheat into starch and sweeteners products. Martin operates across the UK, Poland, Germany, Netherlands, France, Italy, Spain, Scandinavia and Belgium and has some involvement with the USA. There are about 3,200 employees in the businesses he has responsibility for and he is based in Mechelen in Belgium.

Martin describes talent management in Cargill as the identification of people with both the ability and potential to rise in the organisation. Once these have been identified, care must be given to their development and how they are moved around the businesses to fully utilise their talents. He says:

'We operate at a local level, a European level and a global level. In driving the business forward, most of our senior people in the business have European or global responsibilities, and our development policy reflects this. For example, we had a situation where we wanted to provide a development opportunity for one of our young plant managers in the Netherlands. He had been identified as having the potential to develop within the organisation. He is Dutch, and had always worked in the Netherlands; the opportunity arose to move him to Poland to run a plant there.

This then gave us the opportunity to move someone who had spent their whole career with Cargill working in Manchester, to the Netherlands. This in turn allowed us to move another manager on our development programme to Manchester, where we are investing in a new multi-million pound wheat plant. This gave them the development opportunity to really manage a major project and site restructure. So these employees with leadership potential are gaining cross-cultural awareness through working in a different part of the world, as well as intensive career and self-development.

The great challenge for us going forward is increasingly we are becoming a much wider-spread business operating on a European or global base, so this is just one way we have of making sure that we've got the right talent who have not just business but also cultural awareness. Like myself, when I moved over to Belgium four years ago, I'd never worked outside the UK. So this type of opportunity has also been a huge advantage to me.'

Many organisations use secondments within the UK and/or internationally to grow talent internally. But lack of employee mobility can affect deployment of talent, particularly in organisations operating internationally or operating a home-based talent pipeline with overseas subsidiaries. In addition, overseas businesses might require special treatment for talent management, such as a clear identification of the role of international assignments in talent management and how talent is prepared for transfer to 'host' country and return to 'home' country.

Tracking talent

In order to have any measure of success, talent management needs to be informed by accurate reporting to identify where talented employees came from and how successfully they're being deployed. Tracking talent therefore involves recording and analysing human capital data on the movement of key employees through the pipeline over time and their current and future value to the organisation. This requires good-quality human capital metrics, such as internal promotion rates, which can be used to better align talent management techniques and strategies.

Human capital metrics

Many large organisations have established methods of human capital management in a number of areas of HR management, including talent management and performance management (Scarborough and Elias 2002; Matthewman and Matignon 2005; CIPD 2006). Smaller organisations tend not to have extensive human capital metrics, nor do they tend to formally track talent.

A recent study involving a survey of 259 senior directors and in-depth interviews with 20 investment houses (Chartered Management Institute 2006) found that there are many inconsistent approaches to human capital measurement and a wide gap between the priorities of those managing and monitoring organisations and the data available for them to do so. Investors agreed with directors on the five key areas relating to human capital management most likely to impact on future financial performance:

- leadership
- employee motivation
- training and development
- performance improvement
- pay and reward structures.

But there was found to be a general lack of agreement on the human capital measures that matter and a clear gap between what is valued and what is actually analysed in workforce and top team effectiveness. Only 68% of respondents measured the contribution made by the whole workforce, only 53% focused on the impact of senior management and only 20% measured dynamic indicators such as 'talent management'.

Talent management, human capital and technology

The increase in self-service applications and shared-service centres and the growing burden of employment legislation mean employers are looking for the next generation of human capital management software. This software needs to take account of metrics for the whole talent management pipeline, and elements such as workforce management and talent management are critical areas. This raises questions such as: 'is the software used for tracking fit for purpose and providing good access for all who need it?' and 'who will be tracked, how closely and how frequently?'

Retention of talent

Retention of key staff is a feature of talent management that's often overlooked. One survey reports that nearly 68% of respondents didn't have a talent retention plan, with the picture in the public sector being worse than for the private sector, with over 80% of public sector organisations indicating they had no real plans for talent management retention, even though they reported significant problems in retaining specialist workers (SOCPO 2005).

The CIPD 2005 survey, *Flexible Working: Impact and implementation*, found that 47% of the 585 HR respondents offered flexible working to help retain staff, with 43% offering flexible working to meet employee needs, and over 30% to aid recruitment.

Cargill

Motivation, rewards and retention

Jos Zwienenberg, head of HR for Cargill's Cocoa & Chocolate business unit, says: *'We have long and short-term incentive plans to reward consistently outperforming talent and retain them. An important motivation for them is that talent management is supported by long-term incentive plans but the ultimate retainer is being able to constantly offer new challenges. As Cargill is growing, each year we're able to offer new positions, new opportunities and new challenges to our talent.'*

The 11th annual Global Relocation Trends Survey by relocation company GMAC and the National Foreign Trade Council found that retaining expatriate talent was a considerable challenge for companies, as expatriate employees are much more likely to leave their jobs, either during or after an international assignment, than general employees. Attrition rates among expatriate employees are at least double the rate of non-expatriate employees. Among general employees, the attrition rate was 10%, this rose to 21% for expatriate employees who left in the middle of an international assignment and 23% who left within a year of returning home. When asked to identify the top reasons for refusing an international assignment, family concerns were the main worry, followed by the career of their spouse. Factors leading to an assignment failure were partner dissatisfaction, family concerns, inability to adapt and poor job performance (Paton 2006).

Talent leaving the organisation

It's important to get the balance right with turnover because, although an organisation needs 'new blood', it also needs its key talent to stay. However, few organisations seem to take account of talent leaving the organisation. Those who do can find it valuable to maintain contact with leavers, especially in the first month when they might feel they've made the wrong decision and would happily return to their 'old' organisation if there was a re-establishment of terms and conditions, such as rewards.

At the moment, CIPD survey research suggests that most organisations have few formal mechanisms for tracking when 'talent' leaves the organisation. The 2006 recruitment, retention and turnover survey found only 12% of organisations look at 'identified high performers' when collecting and analysing data relating to labour turnover.

Alignment, control and evaluation

A common feature with many HR initiatives is the lack of 'joined-up thinking' and this can be seen in the way talent is managed. It has been reported that there are a lot of discrete initiatives that haven't previously been aligned effectively, both in terms of different aspects of HR (for example, development, performance management, diversity management, succession planning) and also in different parts of the business and between different grades of employee.

We'll be exploring this in further detail in our full report on the research findings.

Consideration of the roles played in the talent management process

Depending on the organisation, its culture and context, many people are involved in making the talent pipeline work and there have been some issues reported about who should take overall responsibility. It's been reported that CEOs have said that talent management is too important to be left just to the HR function (Economist Intelligence Unit, 2006). However, it can be argued that CEOs' roles don't encompass a centrality with HR strategy and they may not have a sense of global diffusion or local implementation of talent management (Geppert and Matten 2006). Nevertheless, the CEO can bring much to the party. For example, Mervyn Davies, CEO of Standard Chartered Bank, is a non-executive director of Tesco and the good practice he sees there, he says, is transferable to his other roles.

Certainly talent management won't be a success if it's seen purely as an HR initiative. To be truly effective, it will need senior management buy-in, but also buy-in from a range of other stakeholders.

With regard to HR functional responsibility for talent management, there are many variations. Some organisations have dedicated talent management sections of the HR function. In others, talent management is handled by human capital or HR planning specialists or it's sometimes part of the learning and development or training function. Others, such as consultants, are also involved in strategy-making in talent management initiatives in many organisations.

What are the key issues for operationalising talent management?

In the research undertaken so far, many challenges have been identified in the development of talent management processes and practices.

Strategic considerations

Questions that organisations might usefully ask themselves are:

- How are we defining talent and talent management?
- Where do professional and specialist staff fit into our talent management process?
- What are the key features of the external environment and the labour market issues impacting on our talent management task?
- What are the main challenges we're facing in developing a talent pipeline?
- What are we doing to overcome them?
- How do we define and measure aspects of talent, such as potential?
- Are we benchmarking with other organisations?
- Have we clarified for everyone involved the relationship between talent management and other HR initiatives, such as succession planning?
- What tools can be used to identify the right talent and assess potential, employee engagement etc?
- Are we prepared to train and encourage those responsible for talent management to ask serious questions about performance and potential, and to do something about those not up to the task?
- How is the success of our talent management process measured?
- Do we undertake any systematic evaluation, including calculation of the financial and other benefits of talent management to our organisation?

Small and medium-sized organisations

In the study so far, we've found that the topic of talent management is one that's mainly discussed in relation to larger organisations. Talent management has been under-researched in smaller and medium-sized organisations (which we take here to include not only commercial enterprises but smaller, not-for-profit organisations too), although there is some coverage of succession planning (particularly in the area of passing the family business on). However, at this stage in the research, we can tentatively suggest some potential barriers to talent management by raising some questions to be considered in future research:

- How does the prevalent culture of the smaller organisation influence the development of talent? For example, family business research emphasises a general lack of formal succession plans across several international settings, with different priorities from non-family firms (Giambatista et al. 2005). However, smaller organisations can generally take advantage of less formal procedures and processes and therefore have much greater freedom and opportunity to develop talent.
- Are smaller organisations provided with enough information on developing their future senior staff? Government strategies and information and training providers such as Business Link and Chambers of Commerce play a key role in providing information. However, lessons must be learned from the way training and development hasn't been taken up in smaller organisations because of confusion resulting from the continuous creation of new skills initiatives and the use of new (and at time misleading) names and labels in recent years (Stewart and Tansley 2002)
- How are or how can talent management initiatives be developed and applied where there's no HR department?

- Is talent fully utilised? Employee engagement tends to be higher in smaller than in larger organisations, so job satisfaction is high and can reduce 'career push' by employees (Towers Perrin, 2004).
- Is there a lack of finances to identify and use appropriate resources, such as tools, training and development etc?
- In the charity or not-for-profit sector, the main strategic thrust isn't necessarily competitiveness, so the type of talent required at senior levels might relate more to diversity of management team rather than skills in making fast strategies and changes.

While talent management and succession planning can contribute to the success of the small or medium-sized organisation, the main barrier could be that strategy-making in areas of HR are limited generally, usually being done for operational not strategic reasons.

Conclusions

Talent management has been called a fad or a fashion, but David Guest, Professor of Organisational Psychology at King's College, London, argues that: '... talent management is an idea that has been around for a long time. It's been re-labelled, and that enables wise organisations to review what they are doing. It integrates some old ideas and gives them a freshness and that is good' (Guest cited in Warren 2006, p29).

Some argue that the term 'talent management' is a misnomer because talent can't necessarily be managed. Others argue for a different term, such as 'talent enablement'. In this research, we're not urging here that the field should converge and that a unitary theoretical approach should be taken. Rather, we're attempting to identify how different definitions of talent management are operational in practice in particular contexts.

Next steps

This Change Agenda has brought together the findings from the literature review, initial interviews and an illustrative case study from the ongoing CIPD research project on talent management. We hope it has provided you with a flavour of the issues that will be explored further in later stages of the research. The research will continue to draw out themes from around nine case study organisations in order to build on the research reported here and to further inform and advise HR practitioners with regard to talent management in a number of areas, such as:

- how to locate, recruit and deploy key employees vital to the strategic progress of the organisation
- how to cultivate and develop those who will be ready to move into major roles critical to organisational growth and development
- what the main elements of ensuring alignment between key employee assessment and career planning are.

In exploring important strategic and operational issues, we've had conversations with CEOs, HR directors and managers, talent managers, human capital managers and line managers in organisations in several different sectors. We've also taken the employees' views of what talent management means for them in their working lives. The findings will be communicated through the CIPD website and events as they become available.

For more information about this project, contact research@cipd.co.uk

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This Change Agenda was written by Carole Tansley, Lynette Harris, Jim Stewart and Paul Turner, Nottingham Business School, Nottingham Trent University.

Chartered Institute
of Personnel and
Development

151 The Broadway London SW19 1JQ
Tel: 020 8612 6200 Fax: 020 8612 6201
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