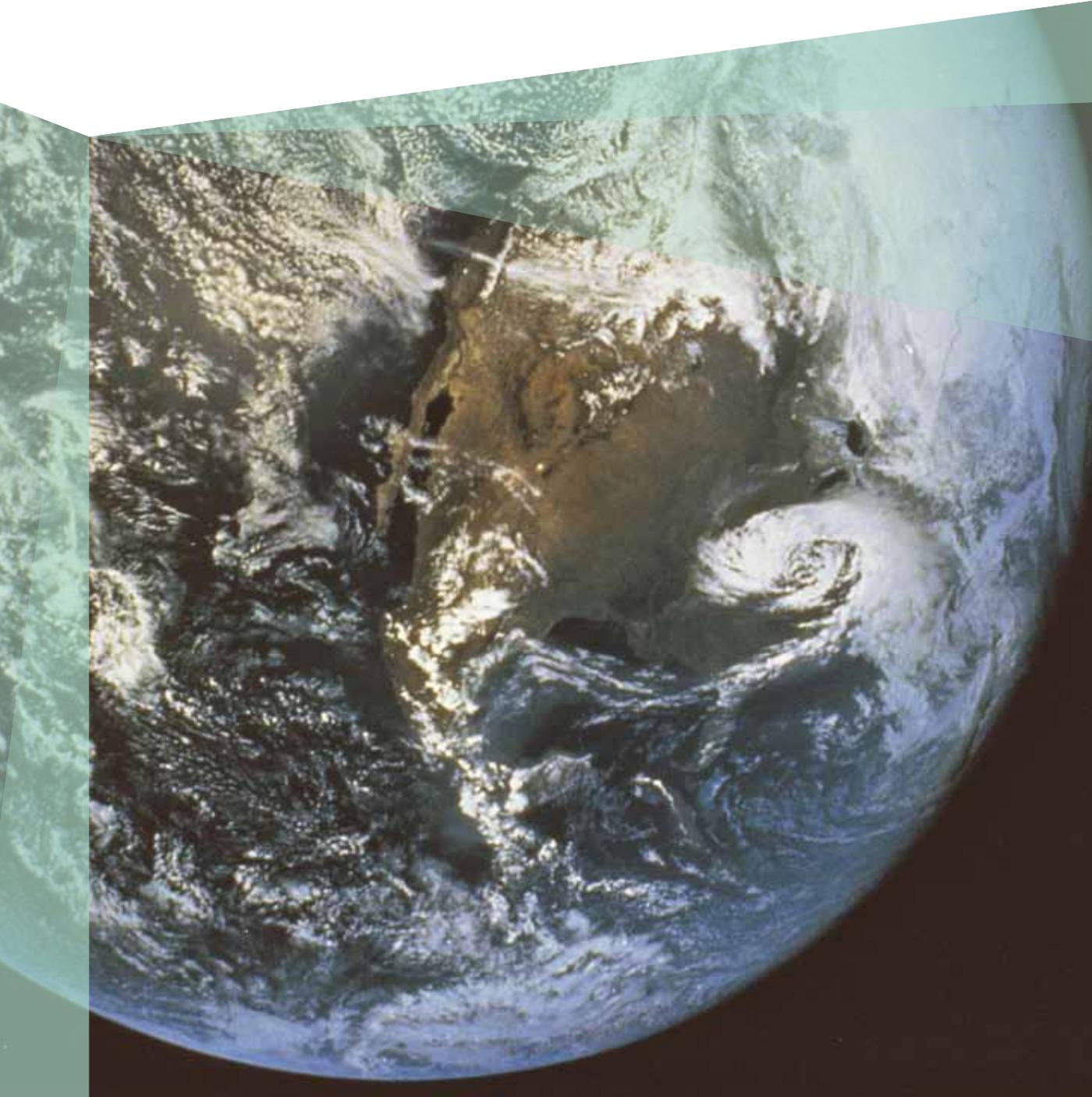


TALENTISM – THE NEW CAPITALISM?



TALENTISM – THE NEW CAPITALISM?

In his opening address at this year's World Economic Forum in Davos, Klaus Schwab, Founder and Executive Chairman, stated that capital is losing its status as the most important factor of production in our economic system. While reports of the imminent demise of capitalism are exaggerated, there is growing evidence that we may be entering a new era: the "age of talentism". Rule of capital will be replaced by creativity and the ability to innovate – in other words, human talent is becoming the decisive competitive factor. What impact is this going to have on how businesses are run?

Two fundamental questions arise in the world of talentism:

- Do we have the right pool of talent – and how and where can we find the right people?
- Do we have the right talent pipeline – and can we transform and move talent to ensure that we have the right people in the right place at the right time and at the right cost?

This article addresses the second question.

Any meaningful discussion of talent pipelines needs to start with a clear understanding of the possible blockage that may occur within the pipeline. Companies worldwide are reporting the following problems in managing their pipelines:

- Lack of measurability: How can we determine whether our efforts are efficient and worth the investment?
- Lack of focus: A one-size-fits-all approach to talent management may lead to a significant waste of resources.
- Lack of clear passageway: The pipeline is beset with choke points and blockers – for example, an ageing workforce, flatter organisations and insufficient movement.
- Lack of velocity: Finding both the optimal speed of transformation and the correct balance of talent remains a significant challenge.

The solution is to follow a systematic approach to create the right pipeline velocity. The following five steps are key:

Identifying Talent/Segmentation

Identify and define the most critical capabilities of the organisation. Not all of the capabilities that are currently supporting business goals are truly critical, either now or in the future.

Mapping Critical Roles

Identify the roles most likely to help develop each capability and map them from a dynamic perspective, according to the future needs of the organisation.

Quantifying Progress

Determine what is currently happening within the talent pipeline, what needs to happen and at what speed.

Connecting to External Markets

Be aware of changes in the external talent pools and keep talent close to enable rapid access to them.

Managing Optimal Velocity

Do not make this a one-off intervention, but instead a constant proactive process, enabling the organisation's strategic objectives in a rapidly changing environment.

The velocity of the talent pipeline may be described through the following equation:

$$\text{Velocity} = G + T + MI$$

Pipeline velocity is the sum of three drivers: Growth, Turnover and Managed Interventions. In mature Western economies, growth has been very low in recent years, as has staff turnover. Therefore, in this context, coherent and deliberate managed interventions of the talent pipeline become the most critical factors, and the only ones over which organisations have some control.

The traditional definition of talent management looks at all the processes inherent in the talent lifecycle: hiring, onboarding, development, performance, rewards and succession. At the core of it all are the key competencies, which will be unique for each organisation.

In the new world of talentism, however, a more dynamic understanding of core capabilities is required, to ensure that these are being recognised and utilised at any moment throughout the company.

This starts with **broader understanding** of key talent, beyond the top leadership layer, to include middle to upper layers and operational roles. A focus on **segmentation of the talent population** is essential, as is a mind shift from emphasis on key people to focus on **key roles**.

A segmentation of roles is useful at this stage. Some may be career destinations, while others contain firm-specific knowledge that may confer competitive advantage. Some roles are very intense from the development point of view but require people to be ready for them. Any development is likely to be more of the “on the job” variety, rather than classroom based. Other roles may not be at all suitable as pass-through roles; very technical or specialised roles need to be covered by proficient, seasoned employees.

Once these roles have been identified, the focus then moves to finding the right people to fulfil those roles and building them up through active career management. It may be useful in this context to think of the talent mix of an organisation as an investment portfolio – some of the assets need to be actively managed, while others can be managed more passively.

Active pipeline management goes beyond the traditional idea of career paths – the new concept is **career experiences**. In order to prepare an employee, each company will identify a menu of essential experiences. This menu will vary from company to company, and may include things such as multi-country experience, profit-and-loss experience, people-management responsibilities and so on. The crucial step is finding the roles that will provide the talent with these experiences – moving from role to role provides the pathway for talent building.

However, not all of these pathways are equal. Some may be longer than others or less efficient. And this is where **active management** comes into play – ensuring a high yield rate of the pipeline, offsetting previous passive management, reducing time to proficiency in any given role, and bringing in talent earlier or later in the process. In the current economic climate, there is little room for failure. With little money or time to invest in talent, the emphasis will be more on assessing potential and then providing just the right amount of development.

THE ROLE OF HR IN TALENT MANAGEMENT

HR has an important role in strategic talent management at the planning, design and modelling stages. However, decisions about people are ultimately made by line managers. How can HR support them so that they are confident they are making the right decisions about the right talent segment? Below are three prerequisites for enabling meaningful manager-led talent interventions.

Prerequisite 1: Clear Vision of Talent

A clear definition of talent needs to be stated, agreed and disseminated throughout the organisation, to avoid what is still frequently a subjective process of selecting the best candidate for promotion out of a list of three high potentials.

Prerequisite 2: Create Talent Leaders

Great leaders are often described as those who can inspire, motivate and model the culture and values of an organisation. While this visionary leader is certainly necessary, a company will also find talent leaders indispensable. These are leaders who are able to make the right people decisions, and who can use talent as a strategic lever to drive business outcomes.

All too often, managers are asked to comply with rules of performance management, talent reviews, reward and so on. In many cases, this can degenerate into a mere tick-box exercise that adds little real value. At the other end of the spectrum, managers are expected to demonstrate all the soft skills, such as providing feedback, motivation and coaching to employees. However, the part in the middle is often neglected. This middle layer is about more than just using the tools and processes provided by HR; it is about using sound judgement and good decision making regarding talent.

The decisions that matter most are close management of underperformers and top performers, placing the right people into roles and assignments, and setting performance goals and standards. These decisions may look different at different levels in the organisation. For senior leaders, it may be the strategic view of the shape and velocity of the pipeline; for a manager of managers, it may be about setting performance criteria and aligning with business goals; for front-line managers, it may be about the right hiring decision and setting clear performance standards.

Prerequisite 3: Data and Governance

To enable managers to make these decisions about talent, HR needs to provide them with:

- **Governance of processes** – All the processes need to be widely available and well-known.
- **Data analytics** – The right information is available at the right time in an easily digestible dashboard style.
- **Decision governance** – Managers own the decisions and processes.

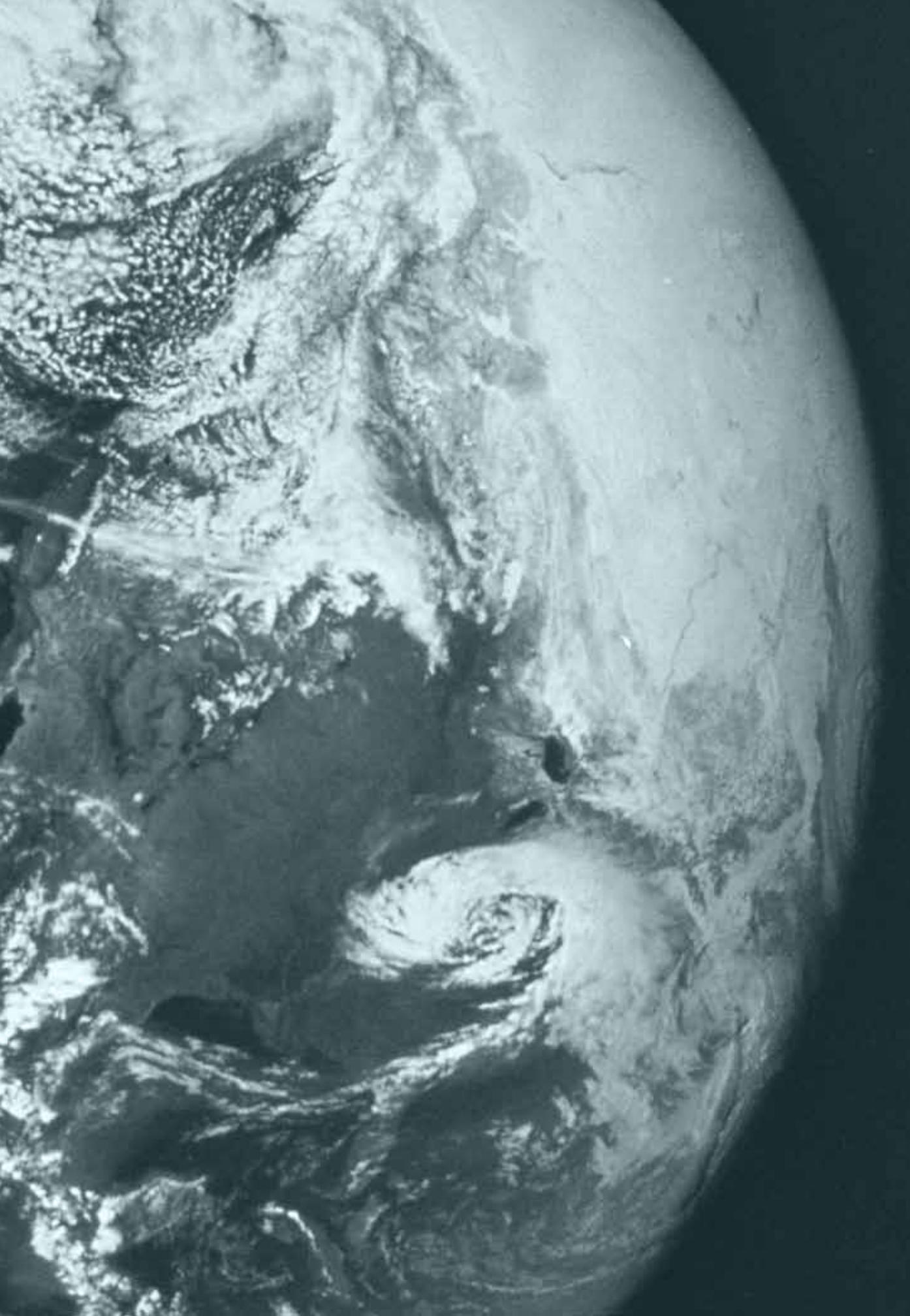
CONCLUSION

Active interventions in talent management are particularly important in the US and Western economies, to compensate for slow growth and turnover. In high-growth, high-turnover environments, the focus on managing external talent pools is much more critical. In either case, however, talent management needs to be increasingly strategic and linked to segmentation of the talent population, understanding the optimal velocity of the talent pipeline and being proactive in decision making.

ABOUT THE AUTHORS

Anne Schult is a Principal in Mercer's Talent practice in Benelux. She project managed the 2012 WEF/Mercer research on Talent Mobility Good Practices. Based in Amsterdam, she can be reached at +31 20 431 3988 or anne.schult@mercer.com.

Jason Jeffay is Mercer's Global Leadership and Organisation Performance Practice Leader. Based in Atlanta, he can be reached at +1 404 442 3125 or jason.jeffay@mercer.com.



For further information, please contact
your local Mercer office or visit our website at:
www.mercer.com

Argentina	Mexico
Australia	Netherlands
Austria	New Zealand
Belgium	Norway
Brazil	Peru
Canada	Philippines
Chile	Poland
China	Portugal
Colombia	Saudi Arabia
Czech Republic	Singapore
Denmark	South Korea
Finland	Spain
France	Sweden
Germany	Switzerland
Hong Kong	Taiwan
India	Thailand
Indonesia	Turkey
Ireland	United Arab Emirates
Italy	United Kingdom
Japan	United States
Malaysia	Venezuela