

# Talent Management

Maximising talent for business performance

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Executive Summary  
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# Introduction

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**1. Overview** There is a strategic imperative for organisations to manage talent. Changing demographic patterns mean that more people are approaching retirement than entering the workforce. Younger generations have different needs and are renegotiating the psychological contracts with their employer. They are quick to move if their organisation is not meeting their expectations. Retaining and developing key people in the organisation will be a critical success factor in the next five years. Senior managers report talent management as a strategic priority, yet over half of line managers are resistant to talent management processes.

One of the problems organisations have is finding a clear definition of talent management. There are a number of conflicting views and many different operational practices. To progress these debates, this research sets out to provide the following:

- a broad definition of talent management
- a framework to help understand the different strategic perspectives through which organisations deploy talent management
- a range of eighteen dimensions that affect the operational impact of talent management.

Having established a common framework for defining and understanding talent management, this research explores areas of best practice, and issues that organisations are struggling with, in order to gain an understanding of the reality of talent management in the UK today. While there may be no single right way in which to do talent management in an organisation, this report offers some guidance to the dimensions that organisations should be considering, and offers examples of how some organisations are dealing with these.

**2. Research methodology** The research is based on a large set of data which was collected using the following methods:

- A literature review of academic and management literature using the key search term 'talent' and secondary terms 'succession planning', 'employee engagement', 'retention', 'recruitment', 'development' and articles on inter-generational differences. Over 200 sources from books and articles were read as part of the literature review process.
- Case studies have been carried out in 20 organisations of differing size, ownership, industry sector and growth phase. These were carried out through interviews with the talent champions in the organisation, senior managers, middle managers and 'talents', and through documentary analysis. The case studies focused on the operationalisation of the talent management strategic process, looking at the practice that was occurring against the policy outlined by the talent management champions. (The 20 case studies are being published in full in a book separate from this report).

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- A large national survey of the membership of the Chartered Management Institute. The survey questioned respondents about their attitudes, experiences and the practice of their organisations around the management of 'talent and/or high potentials'. This received a positive response rate, with over 1,500 responses from across the UK. The sample is broadly representative of the UK management population in terms of sectors (private, public and voluntary), industry, gender, age and level of seniority in the organisation. This is a strong base on which to examine UK management attitudes towards, and experiences of, talent management practices. Statistical analysis has been carried out on the survey involving correlation, regression and ANOVA according to the nature of the variables being analysed.

### 3. Executive summary

This summary version of the report details the overarching framework for defining and understanding talent management that was used and developed by this research programme. It covers the key findings and conclusions across the three themes of defining talent, how to develop talent and the structures and systems to support talent management, and the main recommendations that have been drawn from looking at the case studies and research results holistically.

The full report (74 pages) covers the additional main sections detailed below and includes tables detailing the results from the survey of over 1,500 managers; extracts from the individual case studies and comments drawn from the extensive literature review.

**Defining talent:** this covers the six dimensions that contribute to how talent is identified and defined in organisations.

**Developing talent:** a number of the dimensions occurring in talent management systems relate to the development of talent. The dimensions that fall into this category concern development practice in itself, and also career development/management processes and practice.

**Structures and systems to support talent management:** including the interdependencies between talent management and performance management processes, the extent of technology used, systems flexibility and the ownership of talent management within an organisation.

**Operationalising the strategy:** this section provides a review of how the eighteen dimensions will differ according to the business perspective that is driving the talent management process and includes key recommendations for the application the dimensions for each perspective.

**Measuring the impact of talent management on business performance:** finding the right measure of return on investment is important and should stem from the perspective that is driving the talent management strategy. This section offers some insights into how measures may differ within each perspective.

The full report costs **£100.00** or **£40.00** for Chartered Management Institute Members or Ashridge Alumni/Associates. For further details, please e-mail either:

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# A framework for defining and understanding talent management

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## 1. Defining talent management

For the purpose of this research, we are defining talent management as follows:

***“Talent management is the additional management processes and opportunities that are made available to people in the organisation who are considered to be ‘talent’.”***

Every organisation has a talent management system whether it recognises it or not. Something happens to the talented people in an organisation, whether they are being developed and motivated or whether they are being stifled and neglected in terms of development opportunities.

The definition of ‘talent’ can also vary between organisations, or within the same organisation over time. Many organisations seek to map individuals across the organisation in terms of performance and potential, and it is those who are identified as high performers with high potential who are most often the focus of talent management.

The research results suggest that most organisations define ‘talent’ through some reference to potential, in particular high potentials. These are people who are demonstrating some potential to progress in the organisation at any given point in time. Everyone might be considered high potential in some organisations at different points in time, while in other organisations an individual may need to reach a certain level in the hierarchy in order to be considered high potential. It is for every organisation to decide for themselves how and who to label as high potential.

For other organisations talent may be defined as a critical skills set which has become difficult to obtain in the labour market. For example, certain specialist engineers are difficult to recruit so a talent segment may be defined around this group specifically to address this skills need through internal growth.

It is the explicit segmentation of those who are defined as ‘talent’ in order to provide additional opportunities and development that is critical to our understanding of talent management. It is a management system that helps to target investment in those offering future potential to meet the organisation’s strategic objectives. Indeed, in some cases, talent management has evolved to cover the full workforce.

Most talent management processes and systems fall within the domain of human resource management and line management. The integration of these management systems and their alignment with the business strategy is critical, but in practice they are too often developed in isolation.

## 2. Strategic perspectives

When considering the studies carried out to date, and the cases published as articles in the management press, it becomes clear that different organisations are seeking to achieve different things from their talent management systems, while all are seeking to achieve some form of talent management. This reflects the strategic objective of the talent management system. This strategic perspective shapes the way in which the talent management system is viewed, implemented, and put into operation, such

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that the same activity can result in a different action and/or outcome depending on the perspective employed.

There is the **process perspective** which proposes that it includes all processes needed to optimise people within an organisation (Farley, 2005). This perspective believes that the future success of the company is based on having the right talent – so managing and nurturing talent is part of the every day process of organisational life.

There is the **cultural perspective** that believes talent management is a mindset (Creelman, 2004), and that you must believe that talent is needed for success (Michaels, Handfield-Jones, & Axelrod, 2001). This can be seen where every individual is dependent on their talent for success due to the nature of the market in which they operate, and is typical of organisations where there is a ‘free’ internal labour market, with assignments being allocated according to how well they performed on their last assignment. Alternatively, this can be an organisation where the development of every individual’s talent is paramount and appreciated, and allowing people to explore and develop their talent becomes part of the work routine.

There is the **competitive perspective** which is underpinned by the belief that talent management is about identifying talented people, finding out what they want, and giving it to them – if not, your competitors will (Woodruffe, 2003). This tends to be the default perspective if no other perspective is taken, if only as a retention strategy. It is also seen in the professional services firms where they generally adopt the competitive approach because their business proposition is based on the talents of their people.

There is the **developmental perspective** that proposes talent management is about accelerated development paths for the highest potential employees (Wilcox, 2005), applying the same personal development process to everyone in the organisation, but accelerating the process for high potentials. Hence the focus is on developing high potentials or talents more quickly than others.

There is the more general **HR planning perspective** which claims talent management is about having the right people matched to the right jobs at the right time, and doing the right things (Mucha, 2004). This is often identified with companies currently experiencing rapid growth which to some extent is driving the talent management system, and once they become more stable in terms of size of operations their perspective might change. Succession planning tends to be more prominent in organisations taking this approach.

Finally, there is the **change management perspective** which uses the talent management process as a driver of change in the organisation, using the talent management system as part of the wider strategic HR initiative for organisational change (Lawler, 2005). This can either be a means of embedding the talent management system in the organisation as part of a broader change process, or it can put additional pressure on the talent management process if there is widespread resistance to the change process.

The various perspectives and ways in which they may impact on HR practice are outlined in table 1 below. An organisation may shift its perspective over time in accordance with changes in the organisation's strategy, and indeed the development and embeddedness of the talent management system itself. The cultural perspective would be exceedingly difficult to achieve as a starting point when introducing talent management, but may be where an organisation would intend to be in a number of years after developing a development or HR planning perspective, for example.

Perspective	Core belief	Recruitment & Selection	Retention	Succession Planning	Development Approach
Process	Include all processes to optimise people.	Competence based, consistent approach.	Good on processes such as work-life balance & intrinsic factors that make people feel they belong.	Routine review process based on performance review cycle.	PDPs and development reviews as part of performance management. Maybe some individual interventions.
Cultural	Belief that talent is needed for success.	Look for raw talent. Allow introductions from in-house.	Allow people the freedom to demonstrate their talent, and to succeed and fail.	Develop in-house if possible, if not look outside.	Individuals negotiate their own development paths. Coaching & mentoring are standard.
Competitive	Keep talent away from the competition.	Pay the best so you attract the best. Poach the best from the competition.	Good people like to work with good people. Aim to be employer of choice.	Geared towards retention – letting people know what their target jobs are.	Both planned and opportunistic approaches adopted. Mentors used to build loyalty.
Developmental	Accelerate the development of high potentials.	Ideally only recruit at entry point and then develop.	Clear development paths and schemes to lock high potentials into career paths.	Identified groups will be developed for each level of the organisation.	Both planned and opportunistic.
HR Planning	Right people in the right jobs at the right time.	Target areas of shortage across the company. Numbers and quotas approach.	Turnover expected, monitored and accounted for in plans.	Detailed in-house mappings for individuals.	Planned in cycles according to business needs.
Change Management	Use talent management to instigate change in the organisation.	Seek out mavericks and change agents to join the organisation.	Projects and assignments keep change agents, but turnover of mainstay staff can occur.	Can be a bit opportunistic initially until change is embedded.	Change agents develop others who align with them and become the next generation of talent.

**Table 1:** Differences in operationalisation of HRM according to talent management perspective.

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### 3. Operational Dimensions

Analysis of the case studies revealed 18 dimensions which were common to all the organisations, but they differed in how they responded to them. These dimensions need to be considered when designing a talent management system in order to meet the strategic intent. These dimensions fall within three areas: defining talent; developing talent; and structures and systems to support talent management.

#### Defining

1. Size of talent pool
2. Entry criteria
3. Decision process
4. Permanency of definition
5. Recruitment as a source of talent
6. Transparency

#### Developing

7. Development path
8. Development focus
9. Support
10. Influence on career
11. Connected conversations
12. Organisational values
13. Risk

#### Structures and Systems

14. Performance management
15. Talent management processes
16. Use of technology
17. Systems flexibility
18. Ownership of talent



# Key findings and conclusions

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## 1. Defining talent

- Defining talent is how organisations decide to segment their workforce. By using a segmentation strategy for their talent, an organisation is not identifying the rest of the workforce as talentless. Talent management is about doing something additional or different with those people who are defined as talent for the purpose of the organisation – be it top performers, high potentials, senior managers suitable for director positions, or people suitable for critical roles in the organisation.
- In the UK, 50 per cent of organisations appear to have some form of talent management system, as recognised by their managers. Thirty-five per cent of managers think their organisation does not have a TM system, and 15 per cent do not know.
- Eighty-four per cent of UK managers want to be considered high potential, and for these managers qualifications were the most significant factor to them in terms of how they were managing their careers.
- Regression analysis of the survey results show that those who think their organisation considers them to be talented/high potential are significantly more motivated by their career and the direction of the organisation.
- Being identified as talent in UK organisations means more pressure, enhanced development opportunities and better promotion. Only 7 per cent of managers believed it resulted in resentment amongst peers.
- Over 60 per cent of UK managers agreed that those identified as high potential or talent were expected to become senior managers/partners, suggesting that a permanent definition prevails in UK organisations. However, a number of the case studies show how some organisations design their system in a way that enables people to rotate in, through and out of the talent pool at various career stages. This rotational system can help avoid the danger of setting high expectations too early within an individual's career or disregarding those who are late in developing.
- There are advantages and disadvantages arising from having a transparent talent system. Clearly it is important not to raise expectations if an organisation is unable to deliver for individuals. The case study results suggest that transparency can increase as the talent management system becomes embedded and culturally accepted within an organisation.

## 2. Developing talent

- Promotions, project work, management training schemes and management qualifications were the main development opportunities offered and undertaken in organisations. Secondments, transfers and shadowing opportunities were offered by many organisations, but few managers had personal experience of these development routes. Indeed, there were no significant differences found between those opportunities undertaken between managers who would like to be considered talent and those who would not, suggesting that many organisations are not differentiating development routes in reality.

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- Managers who wanted to be considered talent rated qualifications, having the right coach/mentor, the right training course, internal networking and taking on larger teams as important for their future career development.
  - The case studies highlighted the importance of talent being mobile. In multinational organisations, most managers in their early careers seek out international assignments to gain that critical experience. This is not the picture emerging from UK managers. Too many appear reluctant to change roles or move abroad. This could lead to UK managers being left behind in the global war for talent, as mobility and broader experience become key talent criteria for the global players.
  - There was a significant correlation in the survey results between individuals feeling underutilised and their line managers and senior managers considering them to be talent. This may suggest that many organisations are focusing too heavily on weaknesses rather than strengths, and may not be allowing people to demonstrate their full potential and performance ability.
  - The relationship between line managers and those identified as talent requires sensitive management in terms of who should take responsibility for the individual's development. It is important that talented individuals do not expect their line manager to have sole responsibility for developing their career path, as this can create significant tensions. The relationship needs to be shaped on reciprocal terms, where both the employee and employer benefit.
  - Where the development of high potentials takes place in a highly supportive culture, the risks associated with allocating stretching assignments or role transfers can be significantly mitigated.

### **3. Structures and systems to support talent management**

- Performance management systems provide a good baseline for talent management systems on the basis of performance, although many systems are not geared towards measuring an individual's potential and future capability. Only 31 per cent of managers were confident that their appraisal system is capable of identifying high potentials. Many of the case studies use assessment/development centres to help offer a broader perspective on measuring potential or talent.
- The talent decision making process rests between senior managers and line managers, with just under 30 per cent of organisations allowing individuals to contribute to the decision themselves.
- Most organisations see the need for a more central ownership approach to talent in order to get senior management buy-in and strategic alignment with the programme, however this can raise operational issues in business-unit driven organisations. Some progressive companies have set up talent markets where managers can negotiate job transfers, obtain development opportunities more easily and build networks across the organisation.

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- Most organisations are concerned with some measure of return on investment (ROI) with regard to talent management, but not many are maintaining records or IT systems that would give them data to measure any returns. This also impacts on how dynamic or static the application of talent management systems can be. If no measures of success are in place, then organisations will not know how to improve their talent management system, develop it further or extend its application.

# Recommendations

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A number of recommendations can be drawn from looking at the case studies and research results holistically. These seem to be true for every organisation and every talent management process.

1. Every organisation needs to align their talent management system to their specific business requirements. There is no one way to do talent management.
2. When considering the right talent management system for your organisation, you first need to decide which perspective is most relevant to your business goals. It is then important to look at the most relevant dimensions to help shape the way you define, develop and structure your talent management system.
3. Designing and implementing a talent management system can be shaped by the dimensions. All the case study organisations could be mapped against these dimensions demonstrating that they are common to all talent management systems.
4. Talent management requires a talent culture to be developed so that talent conversations become acceptable throughout the organisation and individuals are encouraged to expand their networks.
5. Care needs to be taken with disseminating talent management practices as talent management inevitably leads to segmentation and this can conflict with diversity and inclusion initiatives. Talent management systems can complement diversity initiatives by ensuring equality of opportunity to enter the talent pool and transparency over selection criteria.
6. When designing appropriate routes for developing talent within your organisation, it is important to consider the prevailing culture within your organisation and the appetite for risk.
7. Offering differentiated and tailored development routes that can meet individual needs and strengths can help to improve the engagement of those identified as talent and avoid perceptions of under-utilisation.
8. Measures of return on investment (ROI) should be appropriate, measurable and economical. There is no point collecting costly data that is not feeding back in the right areas. Equally, failing to collect data leaves organisations with a blind spot and they will not be able to tell if their talent management system is meeting its strategic objectives or not. Measures of ROI are best considered when the system is being designed, so that the evaluation process is designed into the system itself.
9. Central ownership for talent management is important to achieve alignment with the organisation's strategic objectives and to help diminish the potential for silo mentalities.
10. It is important that any talent management system is integrated across all aspects of human resource management. There are clear inter-dependencies between talent management and recruitment, development, diversity, retention and succession planning practices.

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