



White Paper

Executing Organizational Strategy: Achieving Success through Talent Management



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For organizations continually striving to gain **competitive advantage**, business execution is a key determiner of success. Arguably, the single most variable component of business execution is the organization's human capital. Therefore it is essential that organizations maximize the return on their human capital investments by actively planning and managing their talent base.

Factors Impacting Business Value and Execution

The Shifting Drivers of Business Value

The source of value creation in U.S. market capital has shifted dramatically over the past 25 years (Figure 1). Intangible assets such as product discoveries, technologies, and organizational designs—and the human capital that enable these things—now make up the primary asset component. “More than 75% of the growth in U.S. market capital in the last 10 years has come from ‘intangible assets’—assets which are not listed on the balance sheet.”¹

The Challenges of Business Execution

Globalization, competitive pressures, shareholder demands, and changing workforce demographics, among many other factors, impact how and how well an organization executes its business strategy. Ability to change quickly and execute effectively will determine who will succeed in today’s demanding business environment and who will not. Organizations are in a much better position to address change and improve execution when they deploy the right talent and skills in the right positions, at the right time.

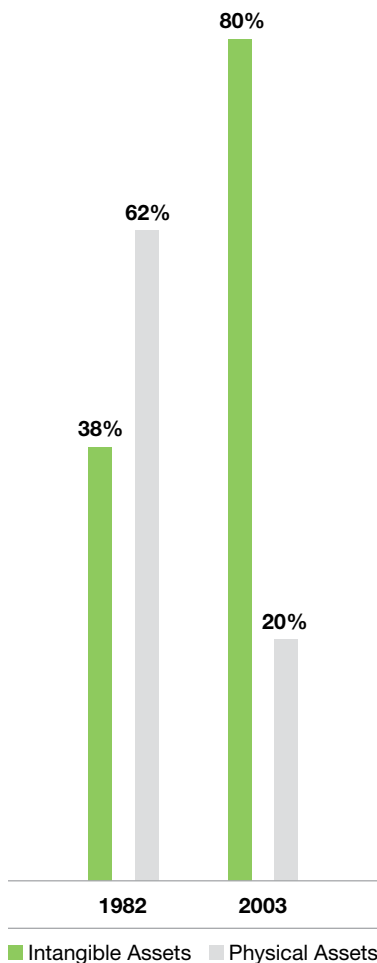
The Shortfalls of Existing Efforts to Manage Talent

There is general consensus that talent now plays a far greater role in determining organizational success. Unfortunately, organizations too often fail to engage in the activities that bolster their talent pipelines, equip individuals with business critical knowledge and skills, and properly deploy those individuals in positions that serve to develop and engage them. Frequently business objectives are not linked to individual competencies. Many HR functions remain organized for traditional activities and workflows instead of centering strategies and structure on talent management.

In situations where talent and succession plans have been put into place, organizations repeatedly find that these plans fall short. One of the key reasons these plans fall short is that too much attention is focused on current skills, and not enough attention is focused on future job skills. Development then is not consistently based on closing critical skill gaps required for these future roles or tailored to the organization’s needs.

Compounding the situation, organizations struggle with decreasing tenures at multiple levels, the high failure rate of executives brought in from the outside, and planning for impending baby boomer retirements.

Figure 1¹



The Solution: Business Execution through Talent Management

Aligning Talent to Meet Business Objectives

How does an organization ensure that it has the talent in place—the capability—to execute on its strategy?

A comprehensive Talent Management process can contribute significantly to achieving business objectives. Talent Management can be defined as a business process that focuses on strategic and planned efforts to attract, select, place, develop, promote, motivate, and retain employees within the context of the organization's strategy and business objectives. Talent thus becomes an organization focal point. Talent Management seeks to drive performance at the individual and organizational levels, with emphasis on aligning competencies with business goals. The overarching objective is to foster organizational capability to execute on strategy.

Talent Management requires both philosophical and behavioral commitment.

What is organizational capability? Dave Ulrich defines it as: “the firm’s ability to manage people to gain competitive advantage... To establish organizational capability, the business must adapt to changing customer and strategic needs by establishing internal structures and processes that influence its members to create organization-specific competencies. Employees become a critical resource for competitive advantage.”²²

The Center for Creative Leadership and Vangent, Inc. have collaborated on a framework for determining and advancing organizational capability. **This framework consists of five fundamentals:**

- Adopt and enable a talent mindset
- Build a talent strategy from the business objectives
- Identify linchpin positions
- Measure employee bench strength
- Maximize performance through targeted talent development

Through such an approach, organizations can:

- Consistently and objectively identify and groom their future leadership
- Improve their business execution and drive key results
- Evolve from reactionary replacement planning to proactive talent and succession management
- Improve their succession readiness
- Increase human capital Return on Investment
- Advance institutional intelligence through targeted learning and development
- Improve retention and employee engagement

Adopting and Enabling a Talent Mindset

Differentiating Talent Mindset from Traditional HR

Talent Mindset is a term originated by McKinsey and Company in their landmark book “The War for Talent.” It is a belief that talent is a positive differentiator for the organization and individuals, that it can be developed, and that it leads to reaching current and future goals. It also is a belief that talent is a primary driver for success; a mindset that permeates the organization and is supported at all management levels. The Talent Mindset is proactive not reactive. Organizations with a Talent Mindset focus on proactive planning through high-potential identification, talent pipeline growth, and targeted learning and development. Thus, managing and developing the talent become just as important as hiring and retention and integration across all of these areas. And that is what differentiates talent management from traditional Human Resource (HR) activities.

The Importance of Defining Talent in the Proper Context

Talent is the combination of hard work, solid mental abilities, aptitude, temperament, resilience, and values. It is something that can be measured. A popular notion is that talent can be identified solely by examining performance. This is misleading. Most people know the following mantra: “Past behavior predicts future behavior in similar circumstances.” Unfortunately, the key operative “similar circumstances,” is often forgotten.

Your Vision is where you want to be and talent is the engine to get you there.³

For example, if business success relies on innovation, a company with a performance-only mindset might jump at the chance to hire a team leader from Google. However, what if this organization’s structure was more rigid than Google’s? What would the impact be? Think of the recent example of Robert Nardelli. He was very successful at GE, and his measurable performance as CEO of Home Depot was outstanding, yet he was fired, reportedly because he did not fit the culture.

Because context is essential for defining successful performance, it is important to define talent in terms of an organization’s strategies, business objectives, and success drivers. Thus talent management deals with both the present and future. It depends on clear descriptions of future knowledge and skill requirements and solid measurement of potential.

Key factors in enabling a talent mindset include:

- Developing a planned, proactive talent management strategy
- Distinguishing between high potential and high performance and doing appropriate planning for each
- Focusing on high potential identification and development
- Defining talent within an organizational specific context

Talent Driving Actions

- Create job profiles that balance technical knowledge and performance with talent/potential.
- Rate and compensate managers based on their talent development activities.
- Hold semi-annual talent reviews at all levels of the organization.

Build a Talent Strategy From the Business Objectives

For Anheuser-Busch and Miller Brewing, for Microsoft and Apple, and for Exxon Mobil and BP the customer base, product offerings, and regulatory environments are similar. However, the method by which each business in the pair achieves success varies, sometimes greatly, even though they are in the same industry. Each company combines its industry viewpoint and internal capabilities through the lens of its vision, values, and mission. They then identify and prioritize key strategic drivers that help to create that organization's business strategy and its leadership and talent strategy.

Thomas Edison once said,

"If we did all things we were capable of doing, we would truly astound ourselves."

This aspiration drove part of his success. However, the trial and error methods that Mr. Edison employed were crucial to his success. Ten thousand failed experiments is a lot of perspiration.

Best practices can serve only as directional suggestions about what might be effective in a particular organization. There must be a distinct relationship between how the organization achieves success and the talent strategy. Specifically, this relationship must be defined and quantified.

To get at the heart of this information, clear questions need to be asked to provide a basis for measurement:

- What are the organization's key strategic drivers and predictors of future success?
- What methods and processes does the organization use to meet its objectives?
- Identify two recent success stories within your organization. How did the talent within your organization contribute to these successes?

These questions provide a basis for determining the success measuring stick—for the business and for developmental efforts. The challenge lies in being able to facilitate meaningful dialogue that gets beyond the aspiration-based, general success definitions.

Organizations must identify the specific perspiration-based activities that lead to business success. For example, it is aspirational to strive to increase customer satisfaction. It takes perspiration, or concrete actions, to deliver on those aspirations. For increasing customer satisfaction, organizations can choose paths like reduction in customer handling and processing time, specialized account management, or self-service automation.

Progressive organizations need to set their own benchmark as it relates to defining business success. They must have a sound methodology for measuring the most important determinants of success and for translating that into tangible actions. Further, they need to identify the knowledge, skills, and abilities that enable proficient execution of business objectives.

Identifying Linchpin Positions

In every organization there are positions that are critical for ongoing business success, whether they are plant managers in manufacturing, regional directors in distribution, research scientists in bio-tech, or drivers in shipping companies. People in linchpin positions can be individual contributors or have managerial responsibility. These positions, and the incumbents who occupy them, are the glue that holds the execution strategies together. They provide the vision and direction for key activities. They are the producers and directors that create the final deliverables.

Linchpin positions vary by industry and company. To identify these positions, organizations must look across the enterprise and objectively determine which position(s) have the greatest ability to impact (positively or negatively) key business results. Ideally this process should consider both quantitative performance data along with qualitative business planning information, and strategic drivers.

Linchpin positions are those positions that drive significant and tangible value for the business

Factors that can impact linchpin identification include customer interaction frequencies, workflow processes, revenue responsibilities, product development requirements, growth plans, and production outputs, among many others. Linchpin positions can change over time based on adjustments to business strategy, expansion plans, and organizational structure.

In addition to identifying linchpin positions, organizations should determine the talent pipeline from which they can draw when an opening occurs. Too often many organizations take short cuts to fill holes left by linchpin incumbents. But at what

cost? “The typical U.S. company spends nearly 50 times more to recruit a \$100,000 professional than it will invest in his annual training after he comes aboard.”⁴

By identifying linchpin positions organizations can:

- Concretely determine which positions contribute most to organizational success
- Focus development resources on this strategically valuable audience
- Determine the starting point for talent pipeline management

Talent Driving Actions

- Identify two or three linchpin positions that require a balance of leadership and technical competence to be successful.
- Involve business leaders in the determination of these linchpin positions.
- Establish the linkage for why these linchpin positions make a significant impact.

Measuring Bench Strength

Measuring bench strength provides critical direction for talent planning by answering questions like:

- Which functions and organizational levels have a rich talent pipeline and which have a lean talent pipeline?
- Can talent be identified for non-linear career paths to support critical re-deployment needs?
- Within the linchpin position career paths, how many “Ready Nows” have been identified?
- To what extent does the organization have a “leadership pipeline” in place to ensure a flow of qualified candidates for key positions?
- To what extent has leadership development been a focus for the organization?

Measuring bench strength
is a comprehensive
process that provides a solid
foundation for planning

All of the questions above challenge an organization’s ability to predict the potential success of its talent pipeline.

How do you measure bench strength?

Three key components of a successful measurement process are a validated assessment of potential, a behaviorally anchored assessment of on-the-job leadership skills, and key performance indicators or metrics specific to the position. These measures provide a foundation for data driven discussions about succession planning, strategic development initiatives, building effective project teams, recruitment, and selection. However, these measures should be considered along with other data gathered by managers through a performance management process. Consequently, it is important for managers at all levels to have the skills necessary to make

accurate behavioral observations and deliver behavioral feedback. Successful talent management requires sufficient face-to-face interaction, in addition to organizational systems and support.

By utilizing a holistic approach to assessing internal talent, organizations can:

- Capture objective and candid talent measurement profiles
- Identify high potentials and useful development opportunities
- Leverage data-driven measures to assist in workforce planning
- Determine overall and linchpin specific succession readiness
- Identify critical skill gaps for current positions and future roles

Yet despite the clear cut advantages measuring bench strength provides:

- Only 34% of organizations are effective at identifying capable leaders early in their career⁵
- 70% of companies report moderate to severe leadership shortages⁶

Talent Driving Actions

- Create a “Ready Now” bench strength snapshot for two linchpin positions.
- Implement bi-annual talent review meetings with a neutral facilitator to discuss current talent, and short and long term needs.
- Identify two or three organization-wide business relevant development needs, and commit resources (budget and time) for targeted development in the next three to six months.

Targeted Talent Development

Development should not occur in a vacuum. Development strategy must be based on the business strategy and requirements for effective execution. It should be directly related to the quantitative business goals and measured through key performance indicators against those goals.

When multi-million dollar decisions must be made, it is imperative that leaders be able to support their recommendations with objective, defensible evidence. The same rigorous due diligence and evidence requirements should be applied when making decisions around talent development.

At the organizational level, measurement can provide clear details of talent and performance gaps—gaps that directly impact the organization’s ability to execute on its goals. For example, if cost control were key to reaching stated operating income goals, it would be essential to know the competence level of senior leaders regarding financial planning and review and their ability to act effectively on the data. As goals change over time, it is critical that an organization’s skill readiness keeps pace with

these changes. For instance, what if an organization flattened its structure to enable greater accountability? It would be critical to know the competence level of the organization's directors for setting and driving toward organizational objectives.

At the individual level, employees have many options about what they can learn and little or no direction about what they need to learn to be successful on the job. Development should be tailored to each individual's needs and based on closing business-critical skill gaps. Individual development plans should take into account whether the individual needs to acquire, extend, or refine skills and knowledge and should consider learning styles and preferences.

Development should be managed as part of a performance management process. The participant in the development experience and his or her manager should know the purpose and desired outcomes of the development: the participant should know what he or she is supposed to learn. This may sound obvious, but it is not. Unfortunately it is very common for a person to receive a developmental assignment but have little or no information on the ultimate objectives and how best to apply the newfound skills and knowledge.

Development needs to be holistic in nature and based on best practices. It should not be limited to a few modalities or even only to courseware. Effective development plans should afford blended learning options that draw from a wide range of interventions including e-learning, workshops, book-based content, stretch assignments, coaching, and job shadowing, among others.

Key questions to consider:

- Do you know the knowledge and skills that will be needed in the next two to five years, based on the strategy and business plan?
- Do you have a competency model that is used in selection, performance appraisal, talent reviews, and developmental activities?
- Do you have the resources—time, money, commitment by those who can make development happen?

Talent Driving Actions

- Challenge each business leader to identify two to three stretch assignments within their line of business.
- Examine the various measurements used to assess potential and skills.
- Evaluate the objectiveness and consistency of the data.
- Choose two development activities, identify the desired outcomes and how they link to and support achievement of the business plan.

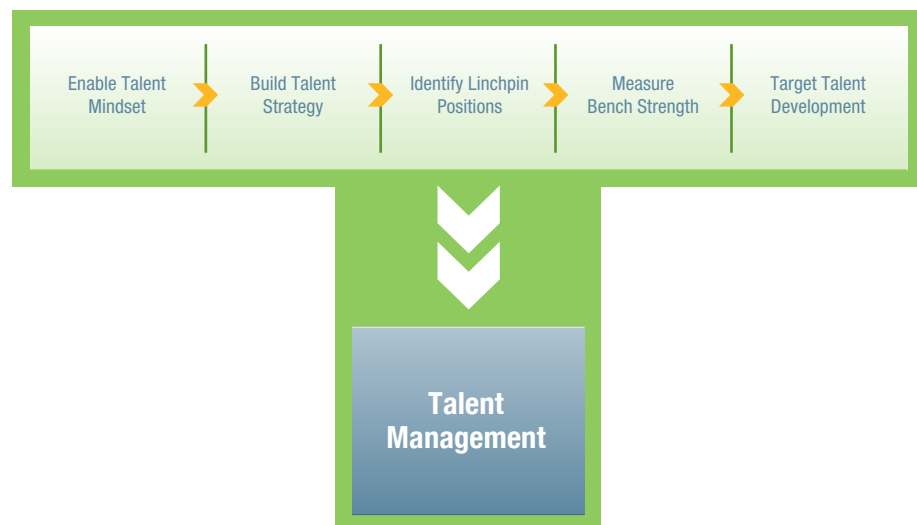
Conclusion

Faced with increasingly challenging and complex business environments, organizations must sharpen their business execution to be successful. The human capital component of an enterprise represents one of the most critical areas to improve execution. Talent management provides organizations with a mindset and methods for advancing organizational capability, honing execution, and achieving key business objectives.

Talent Management focuses on what is important: it aligns the selection, development, and retention of talent directly with the organization's bottom line and the strategic factors that can lead to success in the future.

Here is what the Center for Creative Leadership and Vangent recommend:

- **Adopt and enable a talent mindset:** People throughout the organization need to understand that a focus on talent is also a focus on performance and potential.
- **Create clear definitions of how business success is achieved:** Determine how the organization's bottom line is connected to employee performance.
- **Identify linchpin position:** The “make-or-break” positions in your organization.
- **Measure employee bench strength:** Know where you stand; utilize a comprehensive and objective process to determine your talent pipeline.
- **Maximize performance through targeted talent development:** Ensure development is aligned with organizational needs, provide tailored learning opportunities.



It is long past time to link an organization's talent with the organization's business drivers and goals. It is time to predict, plan, and perform with a targeted talent management process that is based on evidence, not just anecdotes.

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About the Center for Creative Leadership

The Center for Creative Leadership is an internationally recognized resource for understanding and expanding the leadership capabilities of individuals and organizations. Through our open-enrollment and customized programs, publications, assessments, events and networks, we work to fulfill our mission to advance the understanding, practice and development of leadership for the benefit of society worldwide. For more information about the Center for Creative Leadership please visit www.ccl.org.



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Vangent is one of the largest, most respected strategic workforce solutions companies in the United States. Through world-class products and services, thousands of clients have successfully improved the development, performance, and talent management of their workforce. From automated recruitment and selection, to mission critical learning and organizational development, Vangent helps clients achieve the greatest return from their human capital. For more information about Vangent please visit www.vangent-bcm.com.