Talent Management: What is it and why does it matter?

Dr David Collings
Professor of HRM, DCUBS
David.collings@dcu.ie
Outline

• Three key themes
• strategic talent management—what is it and why does it matter
• Some key issues underscoring talent systems
• Some cautionary comments
Context of Talent Management

• The War on Talent- McKinsey 1997
• 51% of managers undertake TM activities (CIPD, 2006)
• Majority of CEO spend >20% of time on TM issues (EIU, 2006)
• Too important to be left to HR alone (EIU)
• 1 of 5 critical challenges facing HR in Europe (BCG, 2009)
• Despite the down turn vast majority of firms continue to focus on top talent
• Risks associated with TM 7th most important risk for corporate leaders (2009, E & Y)
• Top concern of CEOs (PWC, 2012)
  – Develop leadership pipeline
• Talent the key deliverable CEO’s demand of HR (Cornell, 2012)
Definition

• Key weakness
• Only 20% of managers had formal definition (CIPD)
• “Disturbing lack of clarity regarding definition, scope & overall goals of TM” (Lewis and Heckman, 2006)
• “isn’t a single consistent of concise definition” (Aston & Morton, 2005)
• Four key streams of thought
1. TM as a substitute for HRM

- Key stream of thought
- Often focus on specific aspects of HR-leadership, recruitment, development
- Simple re-branding of HR
- Limited contribution
2. The management of talented people

- Strong link to original McKinsey work
- Topgrading- filling all positions with “A players”
- Managing out of “C players”
- Highly influential
- Is it desirable to fill all positions with “A players”? 
- If TM applies to all employees how is it different to HRM?
3. Development of talent pools

- projecting employee/staffing needs and managing the progression of employees through positions
- Build on manpower planning or succession planning
- Important contribution
4. The identification of key positions

- Potential to differentially impact on competitive advantage
- Focus on strategic over non-strategic roles
- Above-average V marginal impact
- Currently over-investment in strategic roles the norm
Collings & Mellahi definition

• Strategic TM:
  - Activates & processes that involve the **systematic identification of key positions** which differentially contribute to the organisation’s sustainable competitive advantage, **the development of a talent pool** of high potential & high performing incumbents to fill these roles, & the **development of a differentiated HR architecture** to facilitate filling these positions with competent incumbents & to ensure their continued commitment to the organisation
Our definition

- We view an organizational talent management strategy as
- 1) the systematic identification of key positions within the organization which differentially contribute to SCA
- 2) the identification of high performing & high potential employees with the competence or potential to fill these roles,
- 3) the development of a differentiated HR architecture to facilitate filling these positions with competent incumbents and to ensure their continued commitment to the organization.
Differentiated Human Resource Architecture

Organisational internal labour market

Talent Pool

External labour market

Pivotal Positions

Work motivation
organizational commitment,
extra-role behavior

Firm performance
Pivotal Talent Positions

• A performers or A positions?
• Boudreau and Ramstad- “pivotal talent pools”
• When employees are able to contribute to a firm’s strategic objectives they have (strategic) value however …not all strategic processes will be highly dependent on human capital (Becker and Huselid)
Pivotal Talent Positions

• “disproportionate importance to a company’s ability to execute parts of its strategy &...the wide variability in the quality of work deployed by ees in these positions” (Huselid et al)

• Fundamental shift
  – Jobs traditionally differentiated in terms of inputs
  – New focus on potential outputs
ROIP for a Pilot
(Boudreau & Jeuthasan 2011)

Value to Org (Customer experience)

Legally required Elements of job

Airline’s minimum Performance expectations

Discretionary services or behaviour
ROIP for a Flight Attendant (Boudreau & Jeuthasan 2011)

Value to Org (Customer experience)

- Legally required Elements of job
- Airline’s minimum Performance expectations
- Discretionary services or behaviour
Developing a talent pool

- High potential and high performing incumbents which the org can draw upon to fill pivotal talent positions
- Proactive identification of talent
- Manage the risks associated with pivotal positions (Cappelli, 2008)
- Potential mismatch between ees and skills
  - Qualitative- skills required
  - Quantitative- too many- redundancies, too few inability to execute strategy
Developing a talent pool

- Combine internal development & external recruitment
- Systematically identify future business needs-knowledge, skills and capabilities-that may be required but are currently unavailable
- Develop talent in organisational context rather than for specific roles?
  - Prevents developing employees to fit narrow specialised roles
A Differentiated HR Architecture

- Tradition of research tracing link between HRM & firm performance
- Best practice V best fit
- More recent recognition of differential contributions of specific groups of ees to firm performance (Lepak and Snell)
- For talent pools commitment-orientated HR
- Shift from transactional to relational psychological contract
The challenges of managing star employees
Differentiated V inclusive talent management?
Defining talent

- From 1% to 100% of organisation population
- GE Session C- top 10% of managerial employees- 1% of employee population
- Unilever 15% of management employees on high potential list
- Accenture- all employees considered talent
- Infosys limited number of high potentials
  - 500 of 60,000 employees (~0.8%)
  - To minimise inflated expectations
  - May in turn result in frustration, lack of productivity and ultimately turnover
To inform or not?

• Research suggests trend of increasing disclosure
  – From 70% to 85% over past decade
Implications of disclosure

• You must follow through with tangible progress in professional development
  – Stretch assignments, international roles etc.

• You must decide how often the list is reviewed - is it permanent or fluid

• You must manage expectations of both talent pool and other employees
Should you make or buy talent?
Predicting star performance

• Boris Groysberg

• In a number of contexts (advertising, investment banking, law) when a company hires a star
  – The star’s performance plummets
  – Sharp decline in group functioning
  – Company’s market value falls
• Star stock analysts (n=1052)
  – 46% did poorly in the year after the changed firms
  – Performance plummeting by an average of 20%
  – Took up to 5 years to return to original level
• Ague that just 30% of performance is determined by individual
• 70% from resources & qualities specific to the firm that developed them
  – Reputation, IT, leadership, training, team chemistry

(Groysberg et al, 2004)
• Former GE execs- hired as CEOs ’89-’01
  – Positive impact on share price when hired
  – 11 ‘matched’ new companies 14.1% + returns
  – 9 ‘mismatched’ new companies 39.8% - returns
  – Also positive effect when 3 or more alumni joined CEO’s new team, (- when one or less)

• Key explanatory factors- how similar the systems & culture of new company were to GE’s’

• Generic v firm specific human capital

(Groysberg et al, 2006)
Implications

• When hiring stars- consider hiring members of their team or network also

• Context matters- transfer will work best when environment is similar to old one
Some cautionary comments

• The idea of the war for talent rests on three assumptions
  – Individual talent is fixed & invariant
  – People can be reliably sorted- ranking ability & potential
  – Organisational performance is simply the aggregation of individual performance
Concluding comments

- There is no agreed meaning of TM so be clear on what it means for your organisation
- Be clear on the pivotal roles in your organisation
- Be clear on who is talent
- Make over buy where possible
- Recognise limitations of systems