

Talent Management: Strategies for a new era

contents:

The improving economy **P.3**

A different talent war concern **P.5**

Why talent management is tough **P.6**

How talent management is changing **P.7**

So you think you know talent processes **P.10**

Summary **P.11**



Executive Summary

Vital Analysis and Baker Tilly Consulting recently interviewed a number of HR executives to understand the state of talent acquisition and talent management today. These discussions led to striking observations:

- > Firms that haven't invested in recruiting, employer branding, leadership development, and their people since 2008 (the beginning of the recession) are in for a rude awakening.
- > The War for Talent is back on and it will disrupt employers that are behind the curve with a vengeance.
- > Businesses have to become great at both sourcing and retaining talent. It's not an either/or proposition.
- > Some firms are re-imagining sourcing in breathtaking ways, including using novel methods and cutting-edge technology to get better qualified individuals.
- > Too many HR technologies were designed for a pre-2008 world and, as a result, are no longer relevant. Old technology doesn't address digital water coolers, new media, self-curated records, and more. The processes changed but many technology providers didn't.
- > HR professionals are unhappy with the current state of talent, HR, and related technologies, including fragmented solutions, high costs from solution providers, and the added cost to integrate different technologies.

There are now a number of fairly urgent action items that HR and operational executives may need to address in their firms. Businesses may be facing substantial challenges in their ability to attract and retain any talent, let alone great talent.

HR technology providers have serious matters to confront as well, including the need to re-imagine HR and Talent Management to be more relevant, flexible, innovative, and less costly.



Background

With signs pointing to a recovering economy, we wondered if HR professionals, their companies, and the HR technology industry were prepared for the inevitable surge in the War for Talent. To gain insights into this emerging space, we conducted a series of interviews with HR executives, probing them for their insights in the following five areas:

- > Are businesses making HR and talent management a priority today? Have things changed materially since the recession of 2008?
- > Did prior talent management initiatives undertaken by HR executives get much top executive and/or operational support within their firm? Are the relative priorities and importance of these changing within businesses today?
- > If there has been a lack of investment in talent management and HR initiatives in recent years, has this produced negative consequences for the organization? For those firms that have underinvested, are they able to move quickly with older systems that may or may not be a fit for what's needed in today's marketplace?
- > Are HR executives using a mélange of different talent management, HR and human capital technology products? Are all these solutions well-integrated and, if not, easy and low-cost to integrate?
- > How are HR team members spending the majority of their time today? Are they mostly responding to changes in the regulatory environment and compliance audits? Are they spending too much time integrating diverse HR technologies? Are they working on the most strategic HR tasks at hand?

Additionally, we asked HR executives to enlighten us as to their top three to four talent management needs and initiatives in the near-term. We also wanted to know how their talent management challenges are perceived by non-HR executives. And, finally, we made inquiries into the state of their talent management technology and what plans they have for these.

The improving economy: a blessing and a curse

Growing economies, as conventional wisdom suggests, are good for business. Orders are coming in, often at a quickening pace, allowing firms to increase productivity, scale, reduce unit costs, and reward shareholders. Workers can see their ranks grow. It's a good time.

But for HR and recruiting professionals, it's a mixed bag. The best and brightest workers now have options as to where they want to work. They also have newfound economic power that helps them negotiate higher pay and other benefits. Job vacancies that are caused by changing business needs add to HR's workload. However, avoidable job openings resulting from an emboldened and empowered workforce leaving for greener pastures, creates even more work for HR. Further, newer, more empowered workers also want to change the nature of work, desiring more flexibility in where they work, how to manage (or self-direct) their career, etc. As a result, HR needs to be a continuous capability, accessed from anywhere, not a static set of events that only exist inside the four walls of the brick and mortar enterprise.

McKinsey & Company detailed the challenge of economic growth and its implications on the workforce in an appropriately titled paper “The \$250 billion question: Can China close the skills gap?” They open their paper with this telling anecdote:

“Wu Hao owns a manufacturing company in Hebei province, not far from Beijing. He says his factory should have 130 employees but is perpetually understaffed. Despite increasing pay – his labor costs have risen 60% in the past three years – and despite searching hard for new hires at job fairs, he cannot find the workers he needs. Many university graduates, he complains, lack basic computer and technical skills, and are simply not ready to work. “Smiling and shaking hands: I have to teach this to people in their 20s and 30s.””¹

Evidence suggests a modest economic recovery is well underway. And in some sectors, we note that in some sectors (high-tech programmers for example), the recovery appears quite robust per the input we received from numerous HR executives attempting to recruit top talent into software engineering roles. Venture capitalists are also increasingly placing bigger bets in HR technology startups. One Wall Street Journal article opined that it is the emergence of “talent wars” that is driving this investment frenzy.²



“People have more choice now”

We believe the War for Talent is back with a vengeance. In addition to the economy, several factors are fueling the war for talent:

- > Significant changes in the demographics of the modern workforce
- > Large numbers of workers retiring or soon to be retiring from the workforce
- > Structural changes in the way that newer workers want to be or expect to be recruited
- > A workforce that no longer reads newspapers or classified ads but prefers to have employers find them in their online social hangouts (e.g., LinkedIn, discussion groups and Facebook)
- > A workforce that wants a career, not just a job
- > Jobseekers, passive or active, that want to change positions so they have a better boss, compensation, work/life balance, choice, or other needs
- > Post-recession organizations that have a clearer understanding of the new skills required to execute their more agile business strategies. These firms need to replace existing positions and team members with new and different talent.

The factors driving this free-for-all for skilled workers are bigger than any one company. Employers have no choice but to adjust their recruiting methods, recruiting technologies, corporate culture, training programs, career development plans, employer brand, and other factors if they want to maintain some level of competitive parity. Failing to make even modest changes may result in chronic labor shortages, disaffected workers, and reduced profitability.

The problem just isn't a talent sourcing issue. Retaining talent today requires firms to have best-in-class methods/tools to measure performance and provide feedback to newer generations of workers. Tools are needed to help individuals manage their careers in a self-service and just-in-time manner. Today's worker expects a career and all of the attendant resources necessary to develop it.

¹ “The \$250 billion question: Can China close the skills gap?”, McKinsey & Company, May 2013

² “As Employers Fight ‘Talent Wars,’ VCs Fund HR Startups”, Wall Street Journal Blogs, Lora Kolodny, August 30, 2013, <http://blogs.wsj.com/venturecapital/2013/08/30/as-employers-fight-talent-wars-vc-fund-hr-startups/>

A different talent war concern

Just as there are two sides to a coin, HR is dealing with talent wars on two fronts. Tarik Taman from Infor, an ERP software firm, said that the war for talent is: “not what the majority of people are talking about. The bigger issue is - understanding the talent they already have”. He added that more HR and operational executives need to “optimize (their) talent not just identify it”.

He may be onto something.

Susan Hollingshead, VP of People at Sungevity, says that Talent Management is “absolutely a huge issue” with top executives in her firm. They compete for some of the most talented and scarcest people in Silicon Valley and other parts of the world. She identified three variables impacting talent management for her firm: globalization, growth, and the ability to identify skills in different markets.

From our own client experiences, we know that many firms are embarking on new organization structures for their firms. Instead of being multinational organizations with many different local operations managed by local in-country personnel, many manufacturers are attempting to create a “one firm” environment where manufacturing facilities are laid out and operated consistently around the world. But to do this, these former multinationals must have executives with expatriate experience and knowledge of how the different facilities and operations work in different parts of the world. For those companies with a legacy of local hiring for local facilities and little or no sharing of personnel across borders, this transition is uncomfortable and often fraught with problems. The biggest single stumbling block is that these companies often do not know who their future operational leaders should be. They may not have consistent performance management tools globally. They may not agree on how to evaluate a high performer from one country to the next. They may not even want to share that knowledge with peers in other locations for fear of having their own people poached. Yet, the desire to create a one firm entity will be a talent management challenge that will be, in some cases, a daunting cultural and workforce adjustment for many firms.

The one-firm challenge often manifests itself first in HR. HR and other executives often lack the tools to ‘see’ into their entire global workforce. They lack a consistent set of systems, data models, etc. and find simple inquiries (e.g., “How many employee equivalents do we have worldwide?”) to be two-week-long data collection problems. HR organizations are facing a lot of ‘pre-work’ to make these one-firm initiatives a reality and this pre-work is tough. The biggest part of the pre-work is getting the global firm on one set of systems, data definitions, and timetables. Cat herding could be an easier task for some firms.



Why talent management is tough to do

We were surprised at the difficulty with which several HR executives described talent management in today's business world. These executives identified several critical problems:

- > Talent management and HR technologies are often a fragmented, rarely integrated collection of software products. Several executives indicated that their greatest frustration is trying to check on the status of a recruit without having to log into numerous different applicant tracking, onboarding, recruiting, HRMS and/or other systems.
- > Talent management solutions are often expensive to integrate. Several executives indicated that they have their own technology integration personnel within their HR organization just to keep these different products integrated and working with each other. This is a cost that HR executives would like to have removed from their budgets so that they can hire more HR value creating individuals for their organization. We noted that there is also a significant shift happening in IT / HR roles. Roles that IT used to take on are being shifted to HRIS organizations, and roles that HRIS played are being shifted to the business. This shift is an additional contributor to challenges in integration, innovation, etc.
- > Even though many talent management technologies are cloud-based, the cumulative cost of all of these products was not perceived to be a bargain by some HR executives. Ms. Hollingshead added "in SaaS, small to mid-market businesses don't have the staff or budget to exploit new human capital technology. Many of the human capital technology products are priced too high for SMB's." She went on to add "there are very few LMS (learning management systems) at a compelling price point."
- > Recent acquisitions of talent management technologies by larger, older ERP vendors may not be generating the benefits buyers of these technologies want. Acquired products are often built with different technologies and toolsets used by their acquirer. No one application may have control over this single HR book of record. This creates pockets of HR data residing in multiple different technologies. Fortunately, acquiring firms are actively investing resources to integrate their various products, but this development work is relatively new and will require continual investment in ongoing development and improvements.

- > Each operating unit within the organization may have differing needs that cannot be addressed by a one size fits all program. HR is required to get much closer to their customers in the business to understand their varying business requirements and pain points and modify programs and solutions in partnership with the business.
- > There is a literal 'tug-of-war' happening with various talent management processes and underlying systems because the old confines of how the HR department organizes doesn't lend for readily integrated software programs. Talent Acquisition only manages sourcing and recruiting. Talent Management owns Performance Management. Talent Development owns learning and development. Compensation is under a completely different set of hierarchies as well. And all of this is disconnected from the day-to-day management of the workforce, as they traverse the typical movement in and out of job roles, promotions, grievances, leaves, and separations. The very concept of Integrated Talent Management assumes that all of these parties develop, and agree on, a set of foundational principles upon which to manage their talent end to end.

Piecemeal approaches to building a compelling talent management suite may be a market reality for the near-term. Should a company want to achieve some measure of competitive differentiation and competitive advantage from others in its industry, then it must utilize some newer, cutting-edge technologies in the talent management space. Unfortunately, the very nature of these cutting-edge applications often means they originate from startups and other third-party firms. Therefore, these products will rarely be found as part of an integrated talent management suite.

To underscore this point, we heard companies are utilizing products from firms like TalentBin, Entelo and Oracle. These products are discussed further in the sidebar later in this report. However, the standout third-party technology mentioned by numerous HR executives was LinkedIn. One executive described LinkedIn thusly: "Their star is ascending. The days of contract and retained recruiters are waning as they use LinkedIn, too."

How talent management is changing

If you haven't changed jobs in recent years, you may not think things have changed much. You would be wrong.

Since the last recession began in 2008, large numbers of younger, mobile/smart phone enabled workers have entered the workforce. They brought with them a number of new technologies but, more importantly, new perspectives on how they want to be contacted regarding new career opportunities.

The modern worker is no longer content to fill out repeated, redundant requests for basic resume data in every potential employers' applicant tracking system (ATS). Frankly, it's a waste of their time as they never know if this information is ever seriously reviewed or looked at. Businesses have rarely given jobseekers any clue as to whether this activity has been useful or not. As a result, the modern worker curates their own information and takes it with them to every potential employer via LinkedIn. LinkedIn has become the de facto mega-ATS for all jobseekers and prospective employers. The data within it is often the most current information about a job seeker. Its databases are significantly more robust than any one employers' ATS could ever hope to be.

The smartest recruiters and now some of the smartest technology providers have begun to look at the Internet in a different way when it comes to sourcing new employees. Think about it, some the best and brightest people naturally congregate around certain virtual or digital water coolers. If you are looking for individuals with a particular engineering background you may find them en masse at specific engineering discussion groups, blogs or other web hangouts. Should you hang out in those locations as well, you could get to learn who are the most influential and/or most respected individuals in that discipline. You can even utilize software technologies that do some of that work for you.

Leveraging the connections of your existing employees is also critical. At a recent conference, Oracle's Group VP of Product Development, Nagaraj Nadendla, talked about the next evolution of their Talent Cloud. Providing a system to acquire and manage your talent is now only table stakes. In order to address today's challenges, Oracle is putting in place key capabilities such as social sourcing, reputation management, recruitment marketing, and greater levels of social collaboration in an effort to utilize your current networks.

But just identifying potential talent pools of passive job candidates isn't enough. Smart firms and technology providers can look at your talent pool of passive job seekers and determine which of them is most likely to be receptive to a job change at any point in time. These firms look at a candidate's Facebook, LinkedIn and other sites where they frequent to determine whether any number of certain variables have changed with this individual. For example, someone who recently married a person who lives in a different state from where the candidate lives may be open to a job change. Likewise, someone who has gone months without updating their LinkedIn information but now has suddenly updated it five times in the last week may be an individual about to reenter the job market. When certain skills are in high demand, the winning employers are those who can identify the best and brightest at the most opportune time. Doesn't your firm need to know this kind of information?

"Candidates often have 4-5 offers within 2 weeks of coming onto the market" says Alissa Rogers, Head of Talent Acquisition of BloomReach



The New Look of Talent Sourcing

Today, if you ran a classified ad for a job opening, you might not get the results you were hoping for. Many job seekers don't read newspapers anymore.

Smart recruiters are arming themselves with a different generation of tools to identify pools of talented individuals. Here are just some of the interesting products available today:

Entelo - Monitors your recruiting pipeline to identify when particular candidates could be open to a job change well before other employers would.

Bullhorn Reach – Sifts through all of the social media updates from your candidate pipeline to identify which updates are most telling from a potential job/career changing perspective.

White Truffle – Marries a dating site with job prospects. White Truffle anonymously matches tech hires to specific technology firms.

TalentBin – Scours social networks, discussion groups, and more to find out where the talent you seek is hanging out online.

Oracle Social Sourcing – Efficiently enhances and automates social recruiting processes.

Talent Conundrum Today



Firms that are still clinging to old methods, business practices and technologies may be in serious trouble when it comes to the War for Talent. They need to modernize their talent initiatives and technologies on two fronts: they must substantially upgrade their talent acquisition **and** talent development methods. The winning firms are those that are able to acquire the best people in their industry and retain them longer than average for that industry. These winning firms are also characterized by their:

- > Creativity in approaching the talent acquisition process
- > Ability to present prospective and current employees with clear and exciting career development opportunities
- > Willingness to embrace cutting-edge technology
- > Ability to change their processes to align with the way people want to be recruited (and not how their firm wants them to fill in boxes, forms, software screen data, etc.)

Winning firms are also doing a better job of identifying the best and greatest use of an employee within the organization. These companies allow individuals within the organization to create an internal resume, filled with competencies, skills, experiences, desired career paths, etc. When recruiters or managers are looking for a specific need, they can now 'see' who may be a good fit within their organization first. This kind of talent movement internally has extreme benefits for: a) building better leaders, b) saving someone from leaving because they reached their potential in another role, or, c) saving the cost of searching externally for a net-new hire.

When you offer job seekers competitive pay and benefits, you'll get "at very most a neutral attitude toward the company."

Culture AND career – "That's the stuff that makes people stay."

- Zach Pino, VP of People & Places, Ancestry.com

How different are the winners? They see themselves competing for talent against the likes of some of the largest and most successful firms in the market. If you're a technology company, how do you get equal or better engineers to come to work for your firm instead of Google? Best firms aren't content to accept average candidates. They get really creative.

One firm tries very hard to identify who may be in the top 10% of a particular discipline's graduating class. Once identified, these students are periodically e-mailed materials that help to communicate the career opportunities, the culture, and the kind of people that work in their organization. At appropriate times, these students are invited to cocktail parties, mixers, and other events where they get to meet executives of the firm, ask questions, etc., all in a non-threatening, non-sales/recruiting fashion. The goal of these events is to show the candidate the company, its people, and culture well before the individual moves into their active job seeking phase. Hopefully, the student will develop an understanding and appreciation for the differences this employer offers.

Another employer told us that they could not compete with a larger firm's in-house chefs. They rose to the challenge by bringing an incredible assortment of gourmet food trucks to their site every work day.

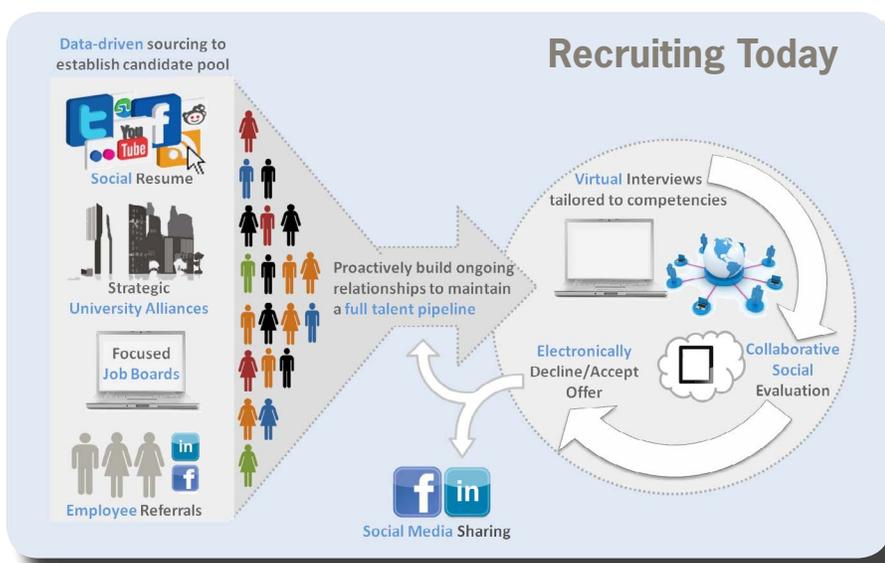
Talent Conundrum Today



So, you think you know talent processes

How you source, develop, and retain the best and brightest is very different today.

Recruiting bears little or no resemblance to what you did when many of the readers of this report graduated college. Likewise, how recruiters source talent for a candidate pipeline is radically different from just a few years ago. HR technology changes have been profound in recent years with video, mobile, big data, analytic, social, and other innovations dramatically altering the space.



We have included a recruiting process workflow here to illustrate how different things have become and to point out the speed with which these processes must and will change. Your firm, like all HR technology vendors, must be open to frequent process changes and frequent additions and deletions of related HR technologies. For example, will resume scanning technology be relevant in an age where workers have substantially the same if not more current data within LinkedIn accounts? Do classified ads and job board listings have a place in your recruiting processes going forward? If so, is it the same as it was years ago? How will you identify potential passive job candidates in a social, mobile, global and video world?

Other talent changes you must make

Process changes will not be the end of your adjustments. New technologies must be understood first, and then integrated within your new processes second. But these are technical challenges, and some of the bigger ones may be much softer in nature but harder in practice to deliver.

For example, how will you get your executive leadership to help you build, enhance and promulgate the employer brand your firm needs to be successful?

Here are some of the action items we believe the best employers will need to make to attract and retain the best talent today:

- > Avoid the temptation to use traditional methods, processes and technologies. Average approaches today will doubtless deliver below average results.
- > Become more aware of the newer solutions in the talent arena. Don't be surprised to find some of these will come from newer technology firms. Get out to different HR technology shows and events to become more aware and more cosmopolitan about this changing landscape.
- > Start thinking of HR and recruiting more like a marketing organization. Marketing groups target specific demographic groups, they acquire lists of prospective buyers, and conduct numerous education campaigns to get the prospect interested in the company, its solutions and the value it can create for them. The sourcing of talent needs to work the same way.
- > Focus on both parts of the war for talent. Don't just focus on sourcing net-new talent. Worry about the retention of the great talent you already have too. If you aren't always recruiting them, someone else is.

Summary

We believe businesses today must:

- > Seriously reevaluate where your HR, talent, and other related processes are today vis-à-vis the needs of the modern workforce and the competition you will face for key people today.
- > Become more cosmopolitan and aware of exciting new technologies that may materially enhance your talent acquisition efforts.
- > Redouble efforts to retain the talent you have today. If in recent years, your firm has backed off from training, career development, and leadership pipeline development, then it's time to double down on those efforts or face a significant brain drain.
- > Understand that you can't build one set of programs and expect them to resonate across the organization. Organizations must contextualize these for each business unit so that the employees understand how the programs are addressing their specific needs.
- > Look at the changing demographics and psychographics of the modern workforce. To attract and retain these workers requires a different perspective on both workers and work in general. Make sure your organization has the tools, culture, and mindset to win the hearts and minds of these future leaders.

About the authors



Brian Sommer is a career strategy and technology consultant having spent much of his professional career at Accenture. He has advised over 100 of the Fortune 500 and continues to advise a wide array of high technology firms globally. Brian also advises software users in selections, strategy, and contract negotiations.

Brian carved Vital Analysis out of TechVentive, Inc. in 2007. Vital Analysis intersects where exceptional technology market knowledge meets the executive suite. Brian closely follows what C-level executives think, feel and need. Brian also publishes a blog on the intersection of application software and professional services (<http://blogs.zdnet.com/sommer/>). He welcomes your thoughts and invites you to contact him at brian@vitalanalysis.com.



Ann Blakely is the leader of the Human Capital Services practice at Baker Tilly. She has a proven history in helping organizations successfully deliver their most critical strategic talent initiatives, and her experience encompasses all aspects of Human Resources, Talent Management and critical success factors for business transformation through technology.

Ann speaks and publishes frequently on critical issues facing talent management, and serves in a leadership capacity that promotes positive, lasting industry change. If you would like to connect with Ann, please contact her at ann.blakely@bakertilly.com.