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The Crelos

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Report

Talent Management **defined for Today and Tomorrow**
A Guide to Talent Management for Now and 2010

1. Introduction

Welcome to the Crelos guide to talent management

Talent management is a term that is much talked about. However, for many its definition, not to mention the development of meaningful strategies, has proved elusive. We all feel we know talent when we see it, say, in the performance of a great footballer or Oscar-winning actor. But this doesn't help us actually get a grip on how to attract, develop and keep it.

At Crelos we have set out with this report to provide a helpful and, we hope, thought-provoking guide to the talent management dilemmas companies are dealing with today. We also look at some of the challenges that lie ahead. Our aim is not just to give advice but to stimulate debate about what talent management really is and its link with business success.

We believe that good talent management is about achieving change through people. This means helping people grow and understand not just what they can achieve but what they want to achieve. Our experience to date has convinced us of the enormous potential to use talent management skills to ratchet up performance and ultimately transform businesses.

But we have also realised that there is no single, right answer. Talent management is a dynamic process that must develop and shift with the needs of a business. We set out here some of the models that we think work but they do not amount to a blueprint for success. Each business must use these models to find its own way for ensuring the business has the skills and expertise needed to survive the demands of the 21st century.

It's well worth the effort – in addition to business success great talent management can bring business leaders huge intellectual and personal returns. What can be more rewarding than to provide the resources and environment that will enable your people to reach high and give of their best?

In the following pages we set out our definition of talent management for today and offer some practical advice on how to get it right. We also take a look at the future of managing people through change by analysing some of the impending business challenges that will affect our approach to top players in the business.

Above all, we would like to promote a debate about talent management today and tomorrow. We hope you find it useful.



2. Talent Management Today

Talent management: our living definition

Put simply talent management is the set of processes by which businesses identify, attract, develop and retain people with the key skills to move the organisation forward. It involves:

- Defining key people needs for future success as part of a current strategy.
- Holding quality conversations about talent that result in its development.
- Establishing the cost of meeting talent needs against a background of market constraints and talent gaps.
- Identifying what is required for individuals to be successful in key roles.
- Developing and using measures to ensure that positive change actually happens.
- Managing an individual's development in a way that also supports their personal goals.

It's a fairly dry list, but taken together these processes can provide businesses with a powerful set of tools for ratcheting up the organisational performance. The return on investment can be immense and not just in terms of business success; it's hugely rewarding to see motivated, able colleagues achieve their potential.

Ultimately, talent management is about achieving change through people. As a result, how businesses approach talent management will be unique to each organisation; there is no set of standard practices and check lists that managers can adopt. Our experience of talent management over the past 10 years has shown that to succeed, talent management must be a dynamic, fluid process that can flex with the business.

How we got to Talent Management Today – a quick history lesson

As an idea, talent management grew out of the talent wars of the late 1990s when firms realised that the downsizing of the 1980s was having a serious affect on their leadership capabilities.

Up until then, businesses talked more in terms of manpower planning – labour demand and supply – and it was largely a statistical measure. Talent remained on the sports field, in the art studio or at the concert hall. However, the rapid changes in business and industrial structures from the late 1970s on had a dramatic effect on employers' understanding of skills. The decline in traditional manufacturing and the rise of the service sector, with its emphasis on people and know-how, forced businesses to reassess the value they placed on individuals' knowledge, skills and ability. This early foray into talent management was limited to business leadership. The growing breed of talent managers were primarily concerned with succession planning at the top and identifying the next generation of leaders.

The forces shaping talent management today

Some organisations still see talent management as career management for the top two or three management tiers but in many cases talent at work has moved beyond general management and leadership roles. The most successful businesses have extended their talent pools to include specialist functions and front-line, customer facing roles. They understand that the high flyers who will take the business forward are often not those in the top jobs at all. A growing number of firms are also realising that they can use good practice talent



management as a means of negotiating – and ultimately delivering – change within the business.

There are a number of drivers behind this change in attitude. Many of them are interlinked and include:

- globalisation
- speed of change
- flatter structures
- skills shortages
- increasing diversity in the workforce

Globalisation

Globalisation and intense competition are transforming talent management practices by forcing firms to broaden their horizons when it comes to talent management practices. It's no longer just the international corporate giants, such as Shell and Unilever, who are looking to recruit globally and manage international careers – smaller organisations are also having to face up to this challenge.

Increasingly, successful organisations have to resort to strategies of size or niche specialisation to survive and whichever route they choose will have a major impact on how they attract, assess and develop their key people. Going for growth inevitably means larger, more challenging roles and the bigger the role the more talented the job holder needs to be to succeed. However, size and scope can make it easier to attract talent globally. Meanwhile, organisations that opt for a niche market will depend on their knowledge and the depth of their expertise to differentiate themselves from the competition. They will have to develop talent on this basis.



Speed of change

Perhaps foremost is the ferocious speed of change. Moore's Law, although it relates to electronics, serves as a proxy for business and market changes in general. The law, which has held good for the past 40 years, outlines the inevitability of exponential change in the technology sector – new products soon become obsolete to be replaced by the latest innovation. We see this in business generally; product and service lifecycles are getting ever shorter.

This has huge implications for talent. In addition to looking for the next 'big thing', businesses must continually look ahead at the skills and capabilities they will need in two, three or five years' time to manage and deliver innovation.

Skills shortages

Linked to the speed of change is the growth of the knowledge economy. According to the OECD more than 50% of UK organisations can now be categorised as knowledge intensive. The Work Foundation, which is in the middle of a major research project into the knowledge economy, believes this is having a massive impact on the skills and knowledge businesses need to compete and on the talent they want to attract and retain.

Understanding what skills the business needs is one thing, finding them is another. The Cranfield Recruitment Confidence Index, which has been tracking recruitment trends since 2000, has repeatedly found lack of skills to be the biggest talent barrier recruiters face. Currently more than eight in ten organisations (82%) anticipate continued problems filling vacancies.

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Flatter structures

Talent decisions are being made more complex by the impact of flatter structures. The de-layering of businesses began in the 1980s and has continued intermittently since then. Most recently, whole swathes of middle manager jobs have disappeared in recent years after the technology bubble burst at the beginning of the 21st century and with them went a significant amount of management development, both formal and informal. As a result, a large proportion of the available talent has the technical knowledge but not the management experience to succeed in the larger, more complex roles that business needs them to do.



Taken together, flatter structure and skills shortages have changed able employees' perceptions of their potential. They know that their knowledge, skills and experience are valuable commodities and if an organisation is unwilling or unable to meet their career ambitions they can look elsewhere. This has become a major issue for senior managers as well as recruiters. A report from the Economist Intelligence Unit in 2006 into the activities of chief executives found many of them accept that they will have to spend a chunk of time persuading good people not to jump ship for a better offer.

Increasing diversity

Increased workforce diversity is another major driver of talent management. There have been massive changes in the composition of the workforce over the past 35 years. The number of women in work, for example, has risen from 56% in 1971 to 70% in 2005 (source: Labour Market Review 2006, ONS). Meanwhile, the UK is in the middle of a major wave of economic migration with workers from Eastern Europe looking for jobs here. More than half a million migrants came to the UK for work in 2006.

Perhaps most significant of all is the ageing population. The Employers Forum on Age suggests that from 2010 onwards the number of young people reaching working age will begin to fall by 60,000 every year, significantly reducing the size of the traditional labour force. And by 2018 there will be more people aged over 40 than under 40.

Technology boom

Underpinning all this change is the technology boom which continues to have a massive impact on talent management. For starters it has opened up assessment tools to a far bigger audience with up to 50% of personality and ability testing moving on line. In addition it has revolutionised the way in which firms can engage and motivate their talent pool.

This is evident in larger organisations that have introduced CRM-type technology to handle people's careers within the business. They keep a complete record of their conversations and dealings with each member of the talent pool just as they would a key customer. In this way they manage an individual employee's connection with the business but also the talent trends. They use the technology to treat their talent as if they were another group of customers.

Identifying and developing talent in such a complex environment requires talent managers to take a very singular approach. There is no one size to fit all organisations and across all time frames. While there are some common principles of good practice, people's understanding of talent and how they manage it will be tightly defined to their particular organisation and its business strategy.

Most importantly, for a strategy to succeed, talent managers must always be thinking ahead. Key roles this year may not be the key roles next year or the year after.

Ignore talent management at your peril

According to the CIPD, three quarters of UK organisations have not developed a talent management plan. Yet experience shows us that businesses ignore the importance of talent management at their peril.

There are numerous examples of firms that have got into serious trouble through not managing talent properly. For example, when a major accountancy firm responded to the downturn in the IT industry by slashing its training and development budget it faced a mass exit of its most promising players.

Meanwhile, telecoms business Energis used talent management as a means of getting itself out of serious business difficulties. Using talent to differentiate itself in a crowded market, it went from a rescue package to being the dominant partner in a merger with Cable and Wireless – over the space of a few years.

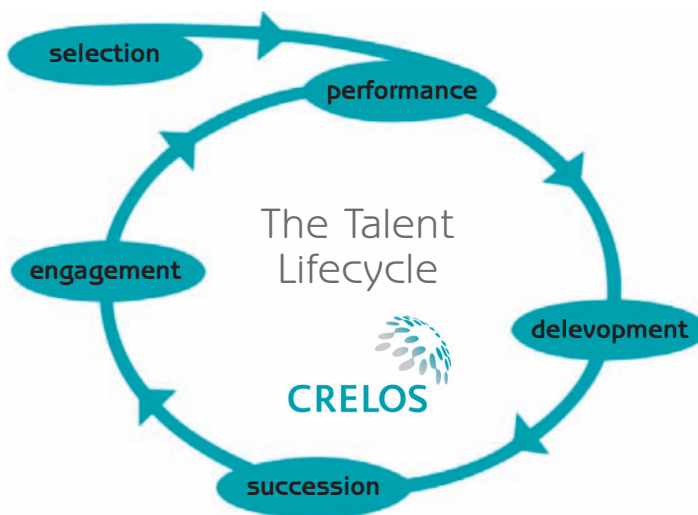
Talent management blockers

Businesses frequently put talent management on the back burner because they fear the cost of implementing a programme. At Crelos we estimate it costs about £10,000 per person per year to implement and run a successful talent management programme for senior managers in large complex organisations. It's not the cheapest people intervention that a business might implement but, if done well, it is likely to be the most effective when it comes to transforming the business. Furthermore, if the alternative is losing good people then a glance at direct recruitment costs at this level, which can run at anything from 15% to 50% of salary, suggests a fairly direct return on investment in talent management.

Perhaps more frequently firms put talent management on hold because of what we call the talent management blockers. These are the cultural barriers that prevent an organisation making the most of their talent investment. We believe that if we are to move the talent management debate forward it is crucial that employers are willing to unblock their business cultures. The talent management blockers that we have identified include:

a. Identifying talent management as a separate, confined business issue

Many businesses find it hard to grapple with talent management because they see it as something apart from the rest of their human capital management. However, talent management impacts every aspect of your people strategy.



At Crelos we argue that every business problem ultimately comes back to talent. For this reason we use a talent management model based on a five-pronged talent lifecycle that mirrors the employee's life cycle within the



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organisation. In this way selection, development, performance management, succession planning and engagement are all talent management issues. Unfortunately, in many organisations talent management has been superimposed onto existing systems attempting to deal with these issues.

Ideally, any business wanting to up its talent management game needs to think of the employee lifecycle as a continuum – it's like painting the Forth Bridge. However, in practice many don't have that sort of time - senior managers usually invest in talent management as a reactive measure when they know they have a problem.

Thus Crelos is often called in during times of major change such as a merger or acquisition, changes in market conditions or a business downturn. Inevitably these are challenging times for the business but they also present a fantastic opportunity to lay the ground for getting talent right.

Case study - Kleinwort Benson Private Bank

Kleinwort Benson Private Bank realised it needed a shift in mindset away from the old-style merchant bank dealing with a few high value individuals if it was to cope with growing competition in the private banking sector. It needed customer facing staff with an entrepreneurial streak and it needed managers who could drive this change. The result has been a massive expansion in the UK with offices opening in Manchester, Birmingham, Newbury, Cambridge and Leeds.

b. Failing to link talent management to broader business objectives

The focus for talent management will inevitably be different for different businesses, but whatever the crisis or challenge the organisation faces, the talent management strategy must be directly linked to the business strategy. To do this, business leaders need to ask and answer questions such as:

- What are the talent pain points in the organisation?
- Where have we most to gain?
- When do we need to do this?
- How will we know we've got there?
- What measures can we use to show we have?

Senior managers need to be prepared for some lengthy discussions around these issues. In this way they can begin to make a business case for talent management that the rest of the organisation can buy into. This is vital if managers are to engage people across the organisation in the talent management debate and the organisation as a whole.

c. Lack of involvement from the top team

Like all good people strategy, talent management must come from the top to be effective. There is no business case for talent management if the CEO doesn't believe it and run with it.

Qualitative research from the Economist Intelligence Unit shows that CEOs in major organisations do take talent management seriously. Most of the 20 corporate leaders interviewed claimed to spend more than 20% of their time on talent management. However, their involvement appears to be rarely linked to a formal talent management strategy. Rather most CEOs jump in or get involved in the supporting activities where they feel they can add most value.

This is a dangerous approach to take as it opens the door to the dangerous game of talent spotting by 'hunch' rather than using formal, proven assessment and development processes. The business pages of newspapers are littered

with stories of blue-chip firms with serious boardroom succession issues, but leaders persist in believing that they 'know talent when they see it'. And this is despite the fact that many senior appointments fail to live up to expectations.

3. best practice

All organisations are ultimately looking for a talent management system that is the best fit for them and their needs. Nonetheless, our experience with hundreds of organisations at different stages of the talent management lifecycle has helped us develop some principles of best practice for all our clients. We are not suggesting that businesses have to tackle all of this at once – many will want to take it in manageable chunks.

One way of getting started is to use the talent lifecycle to look at where the greatest pain points are in the organisation. This could mean identifying the three most critical talent challenges and then prioritising them on the basis of their short and longer term impact. For example, what would be the cost to the business if it does not meet this challenge in the next two years? Or the next three to five years?

At each stage we recommend businesses look at what they already have in place, how they can build on this and what gaps are left to fill.

a. Identify your talent need

Many of the talent management conversations we have with new clients start as discussions about top talent – because this is where most businesses believe their talent shortages lie. Some of them are right, the stripping out of management layers has reduced the opportunity for many high flyers to learn management and leadership skills on the job.

However, when we start drilling down into what the critical roles are in an organisation and where the talent gaps lie, the resulting talent management issues are often more complex. The construction industry is one example. Our work within the industry has shown that the real issue lies at middle management level, specifically with project managers. Their role has escalated over the past decade and the performance of individual project managers can now have a significant impact on business performance.

Most businesses only think about talent management when they find they have a problem to solve. So the best way to start identifying talent needs is to look at what the problem is and where in the talent lifecycle the pain points are.

It could be the sales force isn't performing or all graduate recruits are leaving after two years. Then again attrition rates at the front line might be way too high, or perhaps the firm has no idea what it will do when the IT director retires next year. A closer look at the talent lifecycle should help talent managers establish where the business is going wrong. Perhaps it is not recruiting enough talent or failing to develop high flyers when they join you. Maybe it needs to revisit the succession plan or tackle broader issues of employee engagement.

Businesses must also look externally too when it comes to identifying talent needs – at the dynamics of talent in the sector such as skills shortages, an ageing population, migration and the knock on effects of globalisation.

However, don't be fooled into thinking that defining talent needs will be a straightforward process. Many organisations find it almost impossible to draw up a talent pool because they can't agree about what talent looks like in the organisation. To work this out, firms need to go back to the board and look at the leadership style at the top. Does the board have a clear view of what it is trying to achieve? Is there a clear vision of what good performance is and can directors articulate it?



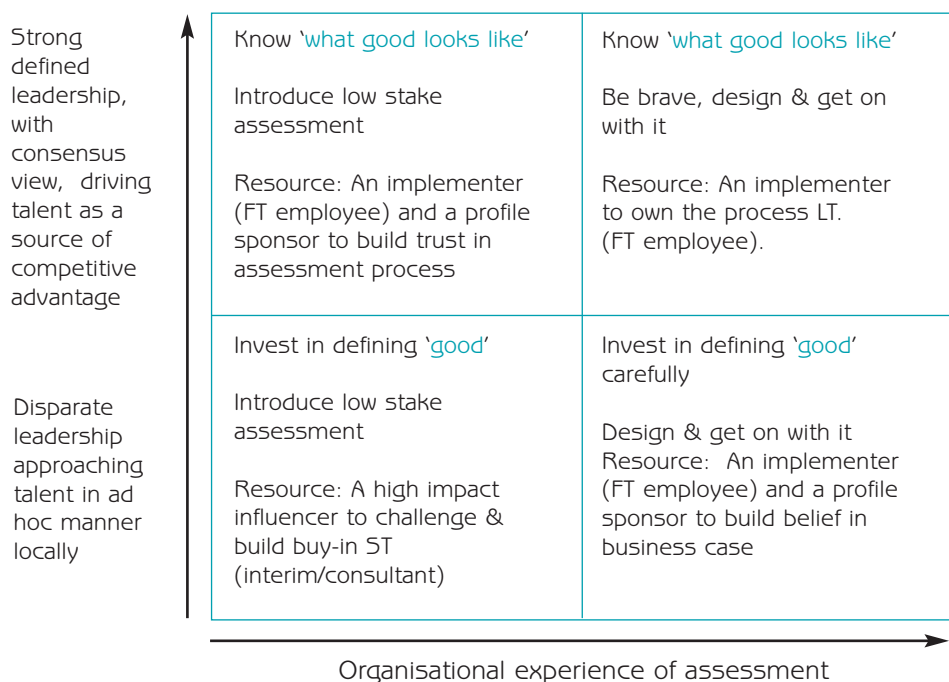
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If the aim is to draw up talent pools from across the organisation, firms need to be clear about how they assess and manage talent now. Every organisation has some form of talent management; it just might not be very effective. Questions to answer might include:

- Can new recruits tell you why they were hired after their induction?
- Do managers make promotion decisions with 100% confidence?
- Is there a common view of what 'good' looks like on which managers can base their decisions?

Businesses should also think through whether or not they are ready for the robust assessment that good talent management requires. It is vital that everyone across the organisation understands why senior leaders are reinvigorating talent management processes and what the implications are for them.

How ready is the business for a robust talent management system?



This could be the time to consider who will head the talent management programme. Some organisations might choose to let the HR department get on with it, but this will depend on the credibility of the HR team. A few organisations have bypassed HR and appointed talent directors with a dotted line to the board. Ideally there should also be a talent management champion with a senior line management job.

Ultimately, there is no hard and fast rule however, whoever takes control, talent management must be seen across the organisation as business critical.

b. Script your talent story

Systems for nominating, assessing and promoting talent are great but successful talent management is about trust, loyalty and relationships across the organisation.

So, just as talent management strategy is worth nothing without the backing of the board, so it will get nowhere without the buy in and understanding of the rest of the workforce. Ultimately, many people in the organisation have to deliver it – whether as nurturers of talent or the talented themselves. Scripting and



communicating a talent story accurately and thoroughly is vital to its success. To do this effectively organisations need to decide how transparent they want the talent management process to be. In the old days of manpower planning many large companies had a list of the talented but it was largely confined to the management population and usually kept secret from the vast majority of them. People only realised they weren't on it when they found their peers being promoted around them and knew it was time to get out.

Some senior managers still fear being up front about how their talent management works and who is in the talent pool. They fear upsetting people who aren't on it and don't know how to have those difficult conversations with the average performers who beaver away doing a decent but not great job for years. Others prefer to avoid elitism.

At Crelos we always urge people to be open and honest about the management of talent. This includes keeping their people up to date with how they define it, how they assess it and what they do with the results. By not being open, senior managers are merely suggesting they don't fully support their talent decisions or lack the courage to put their names to it.

On a more pragmatic level, the shifting nature of talent and talent needs makes it especially important to keep everyone in the loop. There will be people who perhaps don't fall within the talent pool this year but may have the skills you are targeting next year. It's also essential that managers right down the line are kept informed. Buy-in from line managers is crucial. They may never make it to the talent pool but they are nurturers of talent. Their importance in keeping their people engaged is well scripted.

People need to know what happens - or will happen - and why when it comes to the talent pool. This means ensuring they understand:

- what the process is trying to achieve
- who or what jobs are in the "pool" - and why
- what success looks like at each organisational level
- how people are nominated as talented
- how talent is assessed
- what they should expect from being in the pool
- what opportunities are open to those who aren't.

If there isn't an open culture then getting this sort of information over in a way that people believe won't be easy. However, given that most organisations only address their talent management at a time of major change or crisis, the chances are senior managers are already addressing their internal communications structure. They might want to take the opportunity to push for more openness and transparency.

The aim should be to use your talent story to create a common language around talent that becomes part of your brand or employee proposition. You want to build a reputation for hiring and developing talent in and outside the organisation so that conversations about talent – who's got it, how you get it and what it means to the business – are a common place across the organisation.

Case study – O2

When O2 set up its Sales Academy to develop and fast track its sales force, it recognised that good communication was key. At each stage the academy team consulted with internal stakeholders. They arranged separate briefing sessions for senior managers to ensure consistent messages across the business and they held many one to one conversations with the sales team to ensure their concerns were taken on board. In addition they organised a high profile launch day for sector managers to outline the key business changes driving the academy.

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c. Nominating the talented

One of the key talent management decisions businesses have to take is deciding how they will nominate potential talent so they can create a talent pipeline. Nomination won't necessarily get these people into the talent pool but it will give them the opportunity to have their skills and competencies assessed.

It could be that the organisation has identified several potential talent pools. These could include a talent pool of key functional staff in roles that are critical to the organisation over the next few years; and a leadership pool that top slices the 100 most senior roles in the business.

Whatever the case, the purpose of the talent pool is to ensure that there are enough people with the right skills and behaviours - or the potential to acquire them - coming forward to take on key roles as they become vacant. On the one hand, organisations want healthy talent pipelines that take account of natural attrition among high flyers. But on the other, it's important that the system doesn't get clogged up with disgruntled staff wondering what happens next.

The point at which someone becomes eligible for the talent pool depends entirely on what the business is looking to achieve from its talent management. However, talent pools are likely to be external as well as internal with organisations putting considerable resources into identifying the groups of people with the ability and experience they want to attract into the business.

Recruitment - talent management starts on day one

Recruitment will inevitably play a key role in developing the talent pipeline and the relationship between talent managers and corporate recruiters is a key one. Businesses have taken huge leaps in terms of the sophistication of their recruitment systems but there are still too many occasions when a recruiter's primary concern is to fill a vacant desk. If recruiters have done their job well, talent managers will already have quite a lot of information about a new recruit and it is crucial that they start having those talent conversations with them from day one. Research shows that the first 90 days in a job are the time to engage that person's trust and loyalty to the business.



When it comes to identifying talented people already in the business, there are numerous approaches organisations can take. Some advocate self selection. This could mean individuals putting themselves forward for talent assessment or simply stating that they want to progress their careers and are willing to put in the effort.

However, as organisations become more sophisticated in their people management they tend to take a more elitist view of talent. In which case, they will advocate a more rigorous process and expect people to jump through a few more hoops before accepting them into the talent pool.

A few large organisations have talent streaming at every level of the business - and as people move up the hierarchy they can hop from one talent stream to another with increasingly complex development opportunities as they go.

Inevitably the organisation's existing performance management system will play some part in identifying talent. The most important issue for any process designed to nominate talent is face validity. There has to be a sense across the organisation that members of the talent pool are good at their jobs and are seen to succeed at what they do. Most organisations assess this through their performance management systems covering all staff - not just the high flyers. It is vital therefore that performance management and talent management complement each other. Nonetheless, organisations need to think carefully about the role line manager assessments play in identifying high potentials. One

study has shown that competencies rated by bosses as vital or important did not distinguish those who progressed more rapidly through the business. Other evidence suggests that the best talent spotters are often someone's peers in the business. How organisations nominate talent will reinforce those talent discussions going on across the business from manager to manager, employee to employee and manager to employee.

d. Assessing talent

Probably one of the biggest advances in talent management over the past five years has been the increasing sophistication of talent assessment systems. These have undoubtedly received a massive boost from internet technology which has made assessment quicker, cheaper and vastly improved employers' access to it. It has also opened up the information managers can extract from the data making it far simpler to segment the talent pool to look at the performance of different groups, set benchmarks etc. These trends are likely to continue; increased competition within the market is putting test suppliers under intense pressure to keep costs down and offer more and more facilities.

To assess high flyers accurately, companies need to specify the criteria required for people to be successful in key roles. These will touch on an individual's capability, potential and motivation. Getting this right is crucial. If the criteria are wrong, the data will be inaccurate and the talent process will fail.

It is also important not to overplay assessment. Its purpose is to help a talent review panel in its decision making process by providing robust, informative data against which talent can be benchmarked. It is not an end in itself.

DPA – in a nutshell

When collecting, storing and distributing the data businesses need to be aware of their duties under the Data Protection Act. This regulates how organisations use personal information.

At the heart of the Act are eight common-sense rules known as the Data Protection Principles. Organisations using personal information must comply with these principles.

These require personal information to be:

- fairly and lawfully processed
- processed for limited purposes
- adequate, relevant and not excessive
- accurate
- not kept longer than necessary
- processed in accordance with an individual's rights
- kept secure
- not transferred abroad without adequate protection.

The Act provides stronger protection for sensitive information about ethnic origin, political opinions, religious beliefs, trade union membership, health, sexual life and any criminal history.

The Act, with some exceptions, gives people the right to find out what information organisations hold about them.

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The key measures businesses might use in their talent assessment include:

- Intrinsic motivation
- Cognitive and numerical ability
- Behaviours and competencies
- Personality

Intrinsic motivation

This intrinsic motivation is a largely unrepresented area of assessment, but is an absolute must for accurate talent assessment. Different roles have different motivational characteristics. The trick is to link what people will do – their intrinsic motivation – with what they are capable of doing – their ability and behaviour.

Intrinsic motivation can be measured using a psychometric questionnaire. Crelos favours a tool called Intrinsic. This can provide employers with a really rich picture of what makes someone tick. For example, it assesses if someone is motivated by being a line manager or prefers to be a technical expert. It can also assess whether or not they are goal oriented, want to work alone or in groups and the level of career progression they would like. It's a useful means of looking at other factors that will exert influence on whether to accelerate someone's career, slow it down or slam on the breaks.

Intrinsic motivation is good for identifying fast trackers in large corporates that need people who are willing to take on big leadership roles, but it should not be confused with ambition – which is just a statement of aspiration.

Cognitive and numerical ability

These are essentially about intellectual horsepower and are key predictors of future success in large complex roles. Cognitive and Numerical ability can be assessed using online, timed psychometric tests. For the most part these tools are designed to assess how well someone processes and uses information.

However, there is an element of controversy around them, as they suggest a ceiling to career advancement. It's a problem for some organisations. Others, however, are less concerned, having recognised the need for raw intellectual horsepower when it comes to meeting the increasing complexity of the business environment head on. Nonetheless, high levels of cognitive ability alone do not predict career success – they only predict those with the potential to succeed.

Behaviours and competencies

Behaviours and competencies are often used as interchangeable terms. It can be confusing but boils down to something quite simple - how individuals achieve what they achieve. Behaviour works as a measure because it is observable and has a direct consequence or an outcome. It is also learnable.

Behaviours can be assessed in numerous ways, for example, through evidence based interviews or by observation in simulated or real environments or using 360 degree-feedback. However, organisations can only assess competencies if they have set up a competency framework against which individuals can be measured.

There are plenty of sample behavioural frameworks around but of varying quality. Crelos uses what is called the Schroder high performance management indicators as the basis for developing bespoke frameworks for clients. This defines four groups of behaviour: strategic, people, inspiration and process. It's highly reliable as a backbone for a complex competency framework.



Personality

Psychometric – or personality – tests are many and varied. The more famous names that most have heard of include Myers Briggs, SHL's OPQ and Orpheus. They can provide critical information to support behavioural and cognitive ability data.

In particular they are useful for determining any mismatch between personal motive and organisational needs. They are also valuable to individual participants because they give useful feedback on which to base career or personal development plans. Importantly, however, they are not predictive of long-term career advancement.

People administering tests need to be qualified in interpreting results and delivering feedback. Some test publishers insist on administrators receiving bespoke training for their tests but increasingly tests are designed to be delivered by people who have been through the British Psychological Society's training.

Given the plethora of tests on the market, choosing the right one can take time. On the whole the large, established players are very credible and choosing between them comes down to what the organisation wants to achieve – for example is it looking to make recruitment decisions or to develop existing employees. Seek advice because this is where a business psychologist can add value. It's their job to know what's out there.

e. Reviewing your talent – using the data

In many ways, assessing the available talent is the easy bit for organisations. The tough bit is confronting the data and using it to make robust, perhaps difficult decisions about people's careers.

This should be the job of the talent review panel. How it works will vary from organisation to organisation. For example at HSBC the talent review panel discusses every individual being assessed for the talent pool and makes the final decision. But at O2 the business has set a talent benchmark and anyone reaching that benchmark automatically enters the talent pool. In this instance the talent review panel's role is to look at how the business can best help talent achieve its potential.

In some organisations the talent review panel is made up of the executive team or key line managers. In this instance it is vital that the talent review does not turn into a negotiation for talent between different parts of the business. Crelos advocates setting up a talent review panel that draws from a cross section of the organisation. This emphasises the openness and honesty of the system and creates a sense of ownership across the business.

It is the role of the talent manager to drive the talent management system forward, to ensure it delivers the right talent for the business and to get buy in across the organisation.

This is very distinct from the job line managers have in nurturing and developing talent. Their role is key in developing a culture of excellence that encourages and rewards talent, but leaving talent decisions up to line managers is not ideal. Ultimately their aim is to meet their targets so their ideas about talent can be coloured by a desire to hang on to key people or fear of upsetting other valuable members of the team.

Talent managers have to navigate what can be a difficult relationship with line managers who will have a strong view on what talent looks like for them. As a result a good talent manager needs to be highly resilient.



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Key members of the review panel will include the talent manager and an independent observer. The former plays a critical role in bringing the people data to life and facilitating talent discussions. This is not a leadership role but requires someone who is socially engaging, honest and good at building relationships. Meanwhile, the independent observer, who is external to the organisation, is there to help present and interpret the evidence and recognise when people are misusing the information. He is not there to take the decisions for the review panel.

In addition, to ensure the success of the review panel we encourage organisations to:

- Bring the data to life. There needs to be an energising discussion somewhere along the line. Review panels should not spend their time together trawling through names on a spread sheet who have ticked all the competency boxes. There is a skill in making the data come alive and we encourage people to use colourful language, anecdotes and analogies. One way of doing this is to put all the information on a big chart alongside snapshots of these people outlining what they have achieved, what they are like to work with or how they might perform in a bigger job. It's vital that talent managers don't let the data constrain the conversations the review panel has about people.
- Take some risks. The talent review panel must have the capacity to take the odd gamble and perhaps put people into roles that might not work for them. It's worth pointing out that a bigger role or a step up the ladder isn't necessarily the risk factor – the risk is putting someone into a role that is critical to the business.
- Promote but control the role of senior managers. If the panel is to be a true cross section of the workforce then senior managers will inevitably be involved - and rightly so. But they should not be allowed to dominate discussions and must be ready to stick by the decision of the panel, or the system will quickly lose its credibility. This balance is essential - one large public sector body that embarked on a major talent management project decided top managers would form the review panel for the next two management layers down. However, at the first meeting it became clear that none was willing to promote talent development if it meant giving up key people. The process collapsed when the review turned into a negotiation between different directors and the talent manager.
- Keep it regular. The regularity of meetings depends on the speed at which the organisation moves but Crelos recommends formal talent reviews take place at least annually and preferably twice a year. This doesn't stop less formal discussions taking place in between times.



A word on confidentiality; it is vital that everyone involved in the process – whether they are making talent decisions or being assessed for the talent pool – understands how the business will use the data. Generally, a person's individual assessment report will go to that individual, his line manager, HR and the talent review panel. These are the people who can support personal development and enable talented staff to reach their potential. Beyond that it is personal information and so confidential.

f. Measuring talent

The purpose of a talent management programme is to increase the levels of skill, expertise and talent within the organisation. To enable firms to understand how talented they are, Crelos has developed what we call our Talent Index™. This is a tool that provides managers with information on the gap between their future talent requirements and the current available talent.

The Talent Index™

This index is formed using an algorithm that translates scores from individual assessments into an overall total score. By taking multiple scores from multiple assessment exercises and multiple behaviours the index translates individual data into a percentage score. In this way talent managers and review panels can reliably and fairly compare individuals in different roles against the relevant benchmark metrics.

The index is based on the behavioural framework designed by Professor Harry Schroder in 1989. Schroder's comprehensive and sophisticated analysis showed that leaders who exhibit particular behaviours at particular levels will outperform their peers consistently regardless of the situation or complexity of their role. Using this method he demonstrated that it is possible to compare people in different jobs and operating at different levels of complexity, and consistently identify high performers.

The Talent Index simplifies complicated individual behaviour or competency scores and can be used to report at individual, team, and group level. It provides a common metric for executives to report on and enables them to have simpler but more meaningful discussions on the strength of their talent pipeline. It also enables businesses to:

- establish a benchmark against which to measure talent pool development
- compare individual and group capabilities against internal and external benchmarks
- compare people in different roles
- set a baseline for entry into a talent pool
- gauge return on investment from training and development interventions.

Crelos has been using this framework for the past seven years with a number of companies in a range of sectors. For example, O2 has used the index to enable it to set a benchmark or level of performance that someone must reach to be considered talented. And British Sugar has used the index to simplify its graduate recruitment decisions.

g. Talent development

Too often so much effort is put into identifying high flyers that the crucial next part – their development – is greatly underestimated as a task. And yet, in many ways, it is the most rewarding aspect of talent management – enabling people to truly engage with the business and give of their best.

What is more, talented people who have been formally identified as high flyers will be expecting the business to invest in their progress.

A short guide such as this doesn't have the scope to give talent development the weight it deserves, but we can offer a few principles and pointers. For starters, our experience shows that highly talented individuals need development programmes that are a cut above the rest. They need interventions that will challenge and stretch in all directions – intellectual, commercial and emotional.

It will take time for the investment in development to bear fruit. Imagine an Olympic selection process that runs for four years, culminating in someone's right to represent his country in the Olympic team. Once in the team, because that sportsperson has met the standard and been judged by carefully set benchmarks based on years of data, then and only then does the actual performance begin.



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It's the same for business talent too – it can take several years for people to reach their potential and organisations must be prepared to adopt a whole raft of formal and informal development tools if they are to get there, from coaching and mentoring to action learning or formal business school-style executive development programmes. As far as possible allow your high flyers to define their own development – consult them about the capabilities they think are important and discuss possible routes through with them.

Crelos's five approaches to developing top talent

Adopting a variety of development programmes and tools is essential if the business is to engage its talent successfully in the business. Crelos has successfully used the following five approaches to top talent development with organisations such as O2 and McAlpine.

- Inspiring Interventions – people who have done extraordinary things including paralympians and adventurers are invited to discuss their achievements with a small group of top talent.
- A Day in the Sun – puts participants in front of the most senior and influential executives in the organisation and gives them quality time to discuss their own business issues.
- Coaching Triads – working in groups of three and using short sharp 30-minute sessions, senior people coach each other and comment on each other's coaching style.
- Creating the Future – enables teams made up of members of the talent pool to enhance their strategic thinking capability while working on live, business critical dilemmas.
- Time to Think – provides external coaches for people on the talent programme.
- Planning for Success – helps individuals to plan their careers emphasising the small margins between success and failure and the critical role that good planning plays in success.



Don't underestimate the impact of providing talent with opportunities to learn from others – in and outside the business. All successful people can cite one or two people who have inspired them. To provide role models is one of the single most important things you can do.

Clearly, the CEO and other board directors who should also be obvious role models for aspiring leaders in the business and the talent pool should have plenty of exposure to these senior players. You could also encourage top stars in the firm to talk about their experiences. Whatever development tools talent managers opt for, it's essential that they are kept fresh, exciting and relevant. Good training professionals know that their interventions need to be changed and reinvigorated regularly if they are to engage high flyers.

Individuals have to believe their efforts will lead to some positive reward and a shift in their career – which means having somewhere for them to go. It's also essential that the business is clear about what it expects its high potentials to achieve.

However, be aware of the dangers of asking high flyers to do too much and creating a 'they owe me one' culture. It's tempting to give people who are motivated by complex, interesting roles ever bigger, more complex roles. They are stimulated by the pressure but as the jobs get bigger they inevitably have to make ever bigger compromises between work and other interests – such as family and friends.

Talent managers also have to negotiate a delicate path between enabling people to fail in a project or task and understanding when someone simply isn't

going to make the grade. If this is so, businesses have to be prepared to take the hard decisions and move people out of the talent pool.

4. the power of numbers

There is no point in embarking on a talent process unless the business is prepared to measure results. It's hard to do and takes time and energy but it will be impossible to evaluate return on investment accurately without this information. It's not just about maintaining the business case for talent management, it's also about ensuring the process retains credibility with the people who matter – your talent.

Talent management done thoroughly should result in a significant culture change and upheaval – not to mention disappointment for some – so everyone in the organisation, from the top down, has to know it's worthwhile. Ultimately what people want to know is: what impact is managing talent having on business performance?

Talent management is a journey and it could be two, three or four years before the results really show through but a few quick wins might help smooth the path with sceptical senior managers. The most obvious and immediate result is likely to be on the recruitment budget. Given that recruiting a senior executive costs a business anything from 15% to 50% of that person's salary, every time it fills a job internally that money is saved.

Measuring the process

There is a range of metrics that businesses can use to indicate whether or not talent management is delivering results in the longer term. These should focus on both the talent management process itself and its impact on broader business and people results. It is important to establish baseline metrics at the outset of the project against which to benchmark its progress. Talent managers should also set out a clear set of measurable targets they want to achieve – both talent targets and business targets.

To assess the success of the process, it's worth returning to what the business set out to do in the first place. Senior managers want answers to questions such as:

- Have we established a viable talent pool?
- Have we improved core behaviours in accordance with the targets set?
- Have we filled those key roles?
- Do we have realistic projections for how our talent needs will develop?
- Have we met the targets and deadlines we set ourselves?

Impact on the business

When it comes to looking at the impact talent management has had on business results try relating them to existing measures such as the balanced scorecard. People will be familiar with the process and understand what the figures mean to them. It is also easier to use an existing mechanism rather than invent new ones that have to be sold into the business.

Types of measurement to use could include:

- Finance – income, shareholder value, added value, rates of return, costs
- Output – units produced or processed, throughput of sales, new accounts
- Impact – attainment of a standard (quality, level of service etc), changes in behaviour, completion of work/project, level of take-up of a service
- Reaction – judgement by others; colleagues, internal and external customers



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- Time – speed of response or turnaround, achievements compared with timetables, amount of backlog, time to market, delivery times
- People – recruitment costs, attrition rates, internal promotions.

Many organisations already collect a lot of this data in some form. The important thing is to devise a system that enables the business to relate it to talent management. A bit of creative thinking throughout the process should help them to do this. For example businesses could analyse:

- The performance of teams/units run by talent pool leaders. How do growth figures, profitability and operating costs measure up against other units?
- Engagement scores and attrition rates within the talent pool. Are high flyers more engaged than their colleagues, and less likely to leave the business?
- Internal promotion. Are people from the talent pool making it into the high profile jobs that come up or is the business still filling key roles externally?



We have worked with several firms that have successfully used metrics to bolster their talent management processes. Impressively, O2 has directly attributed £60m of revenue to its talent strategy for the sales team.

Be prepared to look further afield at the by-products of talent management. For example, the programme should ideally have an impact on recruitment, retention and engagement among people who have not made it into the talent pool too. It will be good news if people feel they all have something to aspire too. But bad news if the majority of average performers now feel ignored. Building firm Alfred McAlpine, for example has linked improved satisfaction with career development among all staff and a 9% increase in workforce engagement to its talent management process.

Not all metrics will paint a talent success story and businesses need to know how they intend to use the figures that don't come up to scratch. The danger is that senior decision makers might lose their nerve when what's really needed is some tweaking of the system. For example, if senior roles are still being filled externally it could be that you've got the assessment process wrong, or it could be the development opportunities aren't in place to enable people to reach their potential.

Finally, don't forget to do some thorough research into the views of the people who really count – the talent pool. Ultimately, they are the people who should be saying whether or not the system works.

5. the 10 top tips for talent management today

1. Lead from the top. Talent management is a boardroom issue and senior managers should be setting the standard, becoming role models and mentors to talented people further down the business.
2. Define your talent needs. Establish a clear and precise definition of what talent is in the organisation – something everyone can recognise and buy into.
3. Prepare for tough conversations and decisions. These will take place across the business and involve board directors, talent managers, line managers and individuals.
4. Set out key behaviours and skills. These are the competencies you expect

talented people to exhibit. They need to be marked out for each of your key talent roles.

5. Nail down reliable assessment methods. Ensure that your talent pool understands how they are assessed and how the information will be used in developing their careers within the organisation.
6. Script your talent story. A successful talent management strategy will inevitably result in a major shift in culture within the organisation and employees need to know what will be expected of them. Externally, potential recruits know what to expect if they join the business.
7. Invest in developing your talent. This is the fun bit – seeing people grow. And people in the talent pool will be expecting opportunities to develop their skills and ultimately their careers.
8. Review your high flyers' progress regularly. This will involve providing objective feedback for individuals on their performance and prospects. Processes need to be in place for managing people out of the talent pool if they aren't making progress.
9. Identify clear measures. Clear metrics will enable you to show return on investment in talent management. Reporting should be simple, regular and supported by fit for purpose technology.
10. Develop your talent management skills. There is significant value to be gained in employing qualified talent managers to deliver your talent strategy.

6. the top 10 challenges for talent today - and how to overcome them

1. Is it elitist? Yes it is – after all, you are looking for the elite inside and outside the organisation who will take it forward. Some organisations get around this by allowing anyone to nominate themselves to the talent pool. Others opt for keeping the talent pool a closely guarded secret. However, more organisations are realising that for talent management to be effective they have to accept an element of "open elitism".
2. What about the people who don't make it? It depends how ajar you keep the door. Talent pools will shift from year to year so it's a serious error to confine all development and promotion opportunities to the people in the talent pool now. People who have not made it into the talent pool this year should be given clear feedback which includes an indication of if and when they can be reassessed.
3. How do we manage individual egos? Backing up talent management with effective personal and career development is essential if you want to retain the people in your talent pool. They are expecting something to come of being chosen. Good feedback on all assessment and development activities is also vital and needs to be done by someone skilled in the job, especially if you are looking to manage someone out of the talent pool.
4. How do we manage people's expectations? Understand what individuals in the talent pool want out of the process but don't over promise. If you've done your job properly, then you will have already identified key roles for your talent stars to move into. But if for some reason career progression is slowing down make it clear to them why. If you want to keep them find an alternative such as a project or a secondment.

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5. Rigorous assessment is expensive – how do we ensure we are getting value for money? Technology, especially the Internet has significantly reduced the cost of assessment, but to do it properly still requires a considerable investment of time and money. Clearly, businesses need evidence to justify that spend. If you want a quick win start measuring the reduction in recruitment costs from more internal promotion.
6. Can we put a value on the whole of our talent management process? At the very outset of the project you should have outlined the key metrics against which you will judge whether or not talent management is delivering the skills and competencies the business needs. These will include a range of people measures that can be computed accurately such as attrition rates and recruitment costs. They should also include some hard financial measures related to business success. It's also worth identifying the growth in talent within the organisation as a result of your talent management programme. Crelos has established a Talent Matrix to enable clients to do this.
7. Who owns the process and the people who make it into the talent pool? It's a collective. The board needs to support it and set the standard, talent managers need to ensure it happens but line managers and individuals need to feel they have a stake in it too. Line managers' fear of losing their key people can be a barrier that organisations have to overcome.
8. Can we stop our talent becoming targets for head hunters? Of course not. Few organisations offer a job for life and talented people have become used to moving jobs to further their careers. But you can mitigate the effects by giving your stars recognition and by understanding what turns them on – it could be money but is just as likely to be the quality of the roles you offer.
9. How can we ensure consistency in talent management across the business? If talent management is to have credibility in the business it is vital that line managers stay within the system – rather than making their own talent decisions based on their own preferences. They have to be convinced that it is in their interests not to do this and that's down to being rigorous in your assessment of talent and transparent about what you do, why and when.
10. Where do we start? Be pragmatic – look at where the problem is, where it hurts the organisation most and where you have most to gain from your return on investment. It may not be the perfect place for talent management purists, but you have to start somewhere.

C. Talent management tomorrow – an evolving definition

In the late 1990s, when large firms started to think about managing talent, they viewed it as a recruitment problem – how could they find and attract people with the right leadership skills for the firm.

Talent management has moved on a long way since then. It's no longer a recruitment issue but embraces the full spectrum of people management, while the definition of talent – certainly in the most forward thinking organisations – has moved well beyond the senior management population. The most successful firms have started to realise that they can only transform their businesses through their people. They are using issues around talent to put themselves in position to face the challenges of the coming decade

All the evidence of our work at Crelos confirms that talent management processes and practices must continue to shift and alter in this way, if firms are to survive and thrive. To enable firms to evaluate what these might be for their businesses, we have identified key talent challenges for the coming five years, and the actions businesses must take to meet them head on.

Big picture challenges

Globalisation

Big picture: The increasing connectedness of business and the movement around the globe of goods, services, production, capital and labour has become the biggest challenge businesses face. We have seen the growth of the agile corporation that can shift production, finance and people swiftly from one side of the globe to another. The obvious evidence for this has been the boom in outsourcing internal administration and customer service overseas.

Challenge: Globalisation raises some major talent issues. It's not just about having the talent edge over cheaper, overseas competitors, although that's important too. Large multinationals have well developed systems for moving people around the globe but in reality there are only a finite number of people willing and able to be this flexible. Even smaller organisations working globally need to start thinking about how they can source or develop talent in the countries in which they operate. UK construction firms, for example, are targeting the flood of available skills and labour in eastern Europe. It includes a significant number of people with vital management skills and experience. India is another good source of management talent at the moment.

There is also the issue of managing talent virtually. The aim should still be to achieve a level of consistency across the globe in terms of how you assess and develop people. This will need to take account of different country cultures but fundamentally businesses should aim for a common view of talent across borders.

Action: Take a global view of your talent and be outward looking enough to work out where you should source your talent. Sitting in a UK headquarters it's easy to imagine you have all you need about you. But there will be key roles outside the UK that need filling, and there will be ambitious staff in the overseas operation who want to develop their careers. If you don't do it, the chances are your competitors in that country will.



Business downturn

Big picture: The US economy is stagnating, China is booming but other parts of Asia are less buoyant, the Euro zone and the UK have revised growth figures down. Businesses are bracing themselves for some sort of slow down if not worse. This is despite the fact that change cycles continue to speed up. The result is that businesses will have to live with continuing and increasing uncertainty.

Challenge: This will be both good and bad for talent management. A reduction in jobs will make it easier to attract and retain staff. But there will be a real temptation among businesses to cut back on people budgets, including talent development. If talented people are unable to meet their needs and ambitions with you they will take their skills and experience to more exciting opportunities elsewhere.

Action: In an uncertain business environment it is ever more vital that businesses can track the impact talent management is having on business results. This means ensuring the set of talent metrics in place link the system back to the bottom line. They have to be more than 'feel-good' figures.

Technology

Big picture: The impact of the internet will continue to alter the way firms attract, manage and retain talent. The most significant changes are likely to emerge from the growth of social networking. Public networks such as Face Book and Second Life are already providing firms with an opportunity to market their employer brand.

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Increasingly, talent managers will want to use the technology to establish virtual talent communities within the business. Shell has used its intranet site to operate something along these lines for several years with groups of staff around the globe, who perhaps never meet or speak, sharing problems and solutions. As the technology becomes more sophisticated it could prove a fantastic way for relatively small organisations to link and engage talent across the world.

Technology also has the potential to enable employers to have a much more personal relationship with their talent pool. Some, such as Orange, are already using ideas around customer relationship management to segment the workforce and tweak their employee offering to meet more individual needs. There is no reason why this cannot be done for the talent pool. The assessment process should already have enabled firms to gather precise data on high flyers' work styles, preferences and progress.

Challenge: Talent managers will need to keep a close eye on the technology and where it's going if they are to get greatest leverage from it. This means having a clear idea of what they want to gain if, for example, they decide to set up a networking site, as well as understanding how they can best exploit it.

Action: Set out a clear set of talent management goals that you want to achieve by exploiting the technology. Businesses will never get the maximum return on technology if they only occupy that space because everyone else seems to be.

Career development:

Big picture: People's career expectations have changed over the past 30 years but some of the rhetoric around the war for talent, specifically that there are no more jobs for life and people don't want them either, is probably too simplistic. So too is the belief that it's all about work life balance. Research into the careers of senior executives found that career changing events rarely related to their personal life. Perhaps not surprisingly, most cited work-related events such as promotion, a pay rise or a growing intellectual interest in the job.

Figures relating to career mobility also suggest that there will continue to be plenty of ambitious people out there who feel passionate about their work and want to make a mark. Far from being job hoppers more than half of senior executives expect to work for no more than seven organisations over their entire career, while the OECD has found that most European workers stay a decade or more in a job. Even more career-mobile Americans only move jobs on average every four years.

Nonetheless, the career ambitions of Generation Y – people born since 1980 – provide evidence that many young people leave university looking for an employer who can offer them more than just a job. For these younger high flyers, the psychological contract – the set of unwritten obligations and benefits that bind employers and employees – is changing. They expect more flexibility alongside meaningful work and they are prepared to change jobs to get this.

Challenge: businesses need to understand where the balance of power lies when it comes to career planning. Faced with economic uncertainty, it could swing back in their favour over the next few years. Employers need to be careful how they respond to this and be wary of taking too reactionary an approach. Flexibility may not be a prime motivator for everyone in their career choices, but it will remain important to some, at certain stages of their careers. Talent managers need to have a greater insight into the shifting needs of their talent population.

Action: Develop talent relationship managers who can act as internal careers agents for the talent pool, helping them understand what they want from work and the opportunities available to them in the business.



Future of testing

Big picture: Access to assessment tools will continue to expand in terms of the number of users and the data firms can collect. This will become increasingly more detailed and accurate when it comes to predicting job success.

There will be changes in the sort of tests firms carry out too. There is already a growing number of roles-based vocational testing coming onto the market. They often offer a quick and dirty response to a short-term issue.

Firms are also likely to start using testing to manage risk rather than identify potential. This is already common in the post-Enron US where organisations are using integrity testing and bio data to predict a person's honesty. Disasters such as the Northern Rock debacle could encourage UK businesses to take a similar path. Interestingly, research has shown a correlation between high integrity scores and high performance.

A further change will be the use of video conferencing technology to replace one to one observations and assessments. Clients are already asking for it as a means of reducing their costs and it will happen.

Challenge: However, there are obvious negative connotations to these trends that will affect the employer/employee relationship and businesses will need to find ways of dealing with this. Business psychologists need to be wary too of a possible backlash against testing if it becomes too 'gimmicky'.

Action: Don't over-rely on testing and don't underestimate the importance of a one-to-one relationship between assessors and the high flyers they are assessing. It has to be seen to be fair if it is to retain credibility but people will be put off if access to the talent pool becomes little more than a testing conveyor belt.

Diversity

Big picture: Changing demographics, an ageing population, a growing number of migrant workers from an expanding European Union and the increased participation of women in the labour market is opening up new talent pools to employers and will force them to move away from their traditional talent sources - white, middle class heterosexual men. This is already evident in the latest report from the government's Migration Impact Forum which found migrant workers contribute an estimated £6bn to the economy.

The impact of more women in the workplace is also well documented. A third of new businesses in the EU are started by women, while research from Cranfield School of Management has shown that companies with women on the board have a higher market capitalisation than those without.

Many businesses dismiss diversity as a compliance headache and a set of boxes they have to tick for fear of being sued. In fact diversity offers threats and opportunities to talent managers way beyond the legal restrictions.

Challenge: This is a massive talent issue for businesses. Fundamentally, they have to bear in mind that if they don't identify, develop and deploy the talent in what are perhaps non-typical groups, their competitors will. To do this they have to have much greater awareness of what different groups of employees want from work. For example, while 574,000 migrants came to work in the UK last year 385,000 also went home suggesting either that many are looking for a short term challenge, or employers failed to meet their career needs.

Similarly with talented women: the idea that they do not take top jobs because they have families and need to work flexibly is naïve. But jobs – as much as working patterns – will have to be more attractive for people to bother upending their lives to get to work. The success or failure of diversity policies could well lie in the ability of employers to segment the workforce just as they do their customer base.

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Action: Revisit your assessment practices regularly to ensure that they are not excluding any potential talent groups. They should be a true reflection of what the business needs not a means of duplicating what you already have.

Growth in management jobs

Big picture: Over the past few decades the number of management and leadership roles has increased massively. Although business hierarchies have become flatter, jobs have become bigger and more complex. The result is that more roles demand management skills such as influencing people, building relationships, managing resources, communicating effectively. The dilemma for talent managers is that flatter structures have meant fewer learning opportunities for new managers who are finding themselves with significant responsibilities earlier and earlier in their careers.

Challenge: There is no sign of this trend abating. Far from it; if there is a significant economic downturn then employers will be looking to get even more back from their talented people. However, the knock on effect of increasingly complex jobs is it will be harder and harder to fill them.

Action: Look for ways to provide meaningful development opportunities for your talent pool and look several promotions ahead. What competencies will people need to get there and perform? What opportunities through mentoring, project work and other dynamic development does the organisation need to have online and when?

Changes in the education system

Big picture: UK secondary and tertiary education has developed rapidly over the past 20 years and this is set to continue as stresses in the system build up. The move to more competency based education via the new national curriculum will be good for business. However, the explosion in the range of qualifications on offer coupled with grade inflation make it nigh impossible for employers to understand what qualifications mean and what the education system is delivering. The problem continues into university education. If 50% of the population are coming out with degrees, as the government intends, then this ceases to be a way of sifting and recruiting talent.

The education system itself is responding. For example, at secondary school level, the introduction of the International Baccalaureate as an alternative to A levels is spreading to the state sector. Meanwhile, universities are talking about introducing entrance exams as a further means of selecting the brightest. There is also a serious discussion taking place around breaking up the current degree classification system to provide employers with a more explicit breakdown of graduates' academic performance and achievements.

Employers, too, are putting greater store on professional qualifications. It's always been a prerequisite for accountants and lawyers but the value of a professional qualification is spreading to the softer professions such as marketing, human resources and project management.

Challenge: Talent managers will need to keep abreast of all these changes in the education system and understand what they mean for their talent needs. Professional qualifications present a particular challenge to employers. While they help manage risk to a degree, employers could end up putting talented people into professional silos rather than encouraging them to grow and develop.

Action: Get involved with your local schools and universities. Be prepared to offer work experience, placements and longer-term secondments to students. Universities all have people dedicated to building links with employers while the local education business partnership will give you an inroad into local schools (National Education Business Partnership Network www.nebpn.org).



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