



THE FRAGILE STATE OF TALENT MANAGEMENT

A CRISIS AHEAD THAT WON'T BE FINANCIAL

By Professor Shlomo Ben-Hur – October 2012

IMD
Chemin de Bellerive 23
PO Box 915,
CH-1001 Lausanne
Switzerland

Tel: +41 21 618 01 11
Fax: +41 21 618 07 07
info@imd.org
www.imd.org

Globalization offers business immense possibilities: bigger markets, more sources of innovation, and – in theory, at least – a wider, deeper pool of talent. That's the good news.

The bad news, though, is that large parts of the world are already facing talent gaps. Even with the downturn-driven workforce surplus we currently have, many organizations are still finding it difficult to find workers with the right skills and talents to meet their needs. Last year more than half of the CEOs questioned by DDI, a global talent management business, said that their talent pipeline was not growing fast enough, while other surveys find that organizations are already facing enormous difficulties in finding and keeping the people they need to grow their businesses. Some 68 percent of organizations report that they struggle to fill vacancies, while 55 percent face challenges in keeping the employees they do have.

And the really bad news is that this situation is going to get worse. A lot worse. In the years to come four key pressures will make these challenges ever more difficult.

The aging population

The first issue affecting talent is simple demographics: populations are getting older. By 2050 the number of people aged 65 and above in the G7 and BRIC nations will have doubled, while China will see the number of workers supporting each senior citizen drop from 10 to 2.5. Rethinking retirement will provide some of the shortfall, but only some of it: the proportion of the workforce available to work will steadily decrease.

Increased demand

The other side of this coin is that to support this aging population, we are going to need more workers, and lots of them. In fact, to sustain economic growth the US will require an additional 25 million workers by 2030, and Western Europe will require a staggering additional 45 million workers.

Employability

Organizations are becoming increasingly concerned about whether school-leavers and college graduates leave education with the skills needed to contribute to the modern economy. In countries such as the United States and the United Kingdom fewer people are studying much-needed technical disciplines such as engineering, science, and mathematics. Alongside this, only a quarter of professionals in India and 20 percent of those in Russia are considered employable by multinational companies.

Changing talent pool

A final force at play is the fact that people are changing, or at least their expectations are. Generational changes in the psychological contract between organization and employee are appearing as younger workers expect more than just financial returns and are more willing to change employers and travel to get what they want. We are already seeing this, too, with some recent fascinating research showing that large numbers of senior leaders no longer want to be promoted further, although only a minority of them will admit this to the business. So organizations are going to have to work harder to attract, keep and motivate talent.

So we may be neck-deep in a downturn-driven workforce surplus now, but the trend is clear: demand is going to increase and supply is going to decrease. Popular thought at present - in the Northern Hemisphere at least - is that Asia will help bridge any workforce gaps, but the region will not remain a reliable source for long. By 2020, in less than eight years' time, India is likely to be the only major global talent pool that continues to be a net exporter of workers. So in the decades to come organizations will be competing for employees on an unprecedented scale.

What makes this all the more worrying is that less than half of executives rate their existing performance and talent management activities as effective, while less than a third of leaders think that their company has got leadership selection and development right. So what is going wrong with the current approach to talent management?

Well, part of the issue here is that the traditional talent deal is outdated. Historically, talent management was based on the assumption that the initial investment involved in hiring and training someone would be recouped over time as the person settled into the role and started creating value for the organization. However, modern turnover rates mean that a sizeable proportion of employees

leave before these costs have been covered. So financially, the old deal just doesn't make sense any more.

A related issue is the demand-planning challenge, which exists because internal and external environments – and hence labor needs – are less predictable now than in the past. It is also exacerbated by the way in which many companies view and manage their talent. All too often, external talent is assumed to be better and internal talent is not visible or accessible. The result is over-reliance on the external market for talent plus reduced retention levels as people become fed-up with being pigeonholed and the consequent lack of internal opportunities.

What makes this all the more difficult is that knowing what works is not as easy as it sounds. There is not a wealth of thorough research available, and what is out there is usually published by vendors and other interested parties and so unreliably objective. Even when there is consensus on what works, consultants and HR specialists often end up making things worse by creating well-intentioned yet ultimately not value-producing bureaucratic processes. Not that business leaders are blameless here, either: recent studies have found that only 7 percent of organizations hold managers accountable for developing their reports and that only a tenth hold a regular talent review with their boards.

So what's to be done?

The starting point has to be identifying which activities and processes will actually add real value to your business. So, think about what kind of talent you need, what you are currently doing to manage your talent needs and which of your current activities is genuinely making a measurable difference. Next – and this is a big one – you need to find a way of getting leaders and managers to own and actually invest time in talent management and development. That means setting explicit expectations with clear incentives; creating visibility and accountability through relevant metrics that are aligned with your strategy; supporting managers with training where required; and making sure that, as a business leader, you walk the talk.

Next, clarify strategy and ownership. Get in real specialists with a deeply pragmatic approach and integrate all talent and development-related areas behind one point of accountability. Distinguish between different types of talent or employee types, and assess the talent you do have to establish how good it is and to identify who is succeeding and who not. Create fluid talent pools instead of static succession plans, and have a clear view of your resourcing and retention strategies alongside this, and remember, don't forget that you need to look at this globally.

Finally, audit your activities every year. Do not expect amazing outcomes from year one, and do not rely on vendors for validation studies. Instead, establish both leading and lagging metrics that are commercially relevant to your business; these could include engagement, intention to leave, pipeline capability levels, and future demand.

Professor Shlomo Ben-Hur is an organizational psychologist and a Professor of Leadership and Organizational Behavior at IMD.

He directs the program Organization Learning in Action (OLA) which empowers corporate learning professionals to develop and implement successful learning strategies across their organizations. He also teaches in the Advanced Strategic Marketing Program (ASM), the Breakthrough Program for Senior Executives (BPSE) and the Orchestrating Winning Performance Program (OWP).

Related Programs



ORGANIZATIONAL LEARNING IN ACTION - <http://www.imd.org/ola> **Executing strategy through world-class learning and development**

Program Director Shlomo Ben-Hur

- Learn how to align your learning strategy with your organization's strategy
- Enhance your ability to influence multiple stakeholders
- Discover leading practices in program and portfolio design and delivery
- Establish a learning brand for your organization and market it



BREAKTHROUGH PROGRAM FOR SENIOR EXECUTIVES - <http://www.imd.org/bpse> **High impact strategy and leadership**

Program Director Ralf Boscheck

- For senior executives at executive committee, group or divisional level who have major responsibilities at, or near, the top of their organizations
- Step back, reflect and recharge so you can better meet your challenges of today and prepare for your challenges of tomorrow
- Develop fresh insights and identify new opportunities to create exceptional value for your business, your team and yourself