

To Build, Buy, or Trade Talent: That Is the Question Behind Talent Management

By Dr. John Sullivan and Master Burnett

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All around the globe, the transformation of traditional staffing into talent management is happening among leading organizations. Like many evolutionary changes, this one got off to a slow start, but it is picking up momentum exponentially.

Driving this transformation is the realization by senior leadership that talent — as much as, if not more than, technology — is the driver capable of increasing or limiting the capability or capacity of the organization. Supported by the select few human resource professionals who "get it" and a host of talent imported from other functions, these organizations are going where none have gone before, establishing new practices that demonstrate talent management is as much a science as any other management discipline.

Capability and Capacity Planning

At the core of this transformation is the application of a science known as capability and capacity planning (CCP), long used in other areas of the business, to the macro-level talent pool that makes up the organization.

Capability and capacity planning from the talent management perspective is all about balancing the "load" of labor needed by an organization to meet or exceed its strategic objectives with the optimal mix of "resources" capable of doing so. CCP is in use throughout most organizations and can be easily identified in the IT function, where CCP looks at the demand for network bandwidth that will be placed on the network infrastructure (often referred to as network load) and the mix of hardware components that have the capability (features) and capacity to meet the forecasted demands. If you ask around, you will probably find CCP at play in every function of your organization in one form or another.

The appearance of CCP in the staffing world is not entirely new, but the current scope to which it is being applied is. For organizations that have used metrics to govern the allocation of recruiting budget to recruiting sources that have a proven capability of producing hires and a capacity to meet projected headcount needs, CCP is already in use in a limited way. In addition, chances are that you have used some form of CCP analysis when acquiring technology to power recruitment activities.

Such instances are limited in scope, however, and are therefore also limited in impact. Expanding the scope of CCP to govern all of the interrelated activities that create the inventory and manage the deployment of talent present in the organization brings us to the modern day practice of talent management.

A note of caution: Like all emerging disciplines, the term "talent management" is quickly becoming overused and its meaning diluted by practitioners who aspire to be something they are not. Lately, a number of people have introduced themselves with titles that incorporate talent management, despite the fact that they have nothing to do with talent management, and continue to practice archaic, inefficient, and ineffective approaches to staffing. If your organization is looking to procure leading-edge staffing professionals, heavily scrutinize what candidates claim to have done in this emerging area.

The Most Common Pushback

Every time a conversation turns to managing the inventory of talent present in an organization, someone with an archaic perspective will undoubtedly speak up and proclaim that people are an asset unlike any other, and that they cannot be managed using the same approaches that an

organization uses to manage a desktop computer or copy machine. Every organization, including those on the leading edge in the area of talent management, has at least one such individual, even though they may be closeted and out to only a few select friends and colleagues.

For those who feel this way, the writing is on the wall; early retirement may be for you. While people are individuals and each is unique, they, like every other resource in use by the organization, have:

- ◆ **A lifecycle.** Historically it was true that an employee would remain loyal to an organization throughout their lifetime; however, this is no longer the case around the world. Employees, like all assets, have an employment lifecycle which can be forecasted. This lifecycle, like all assets, has a ramp-up period, a period of stable production, a period of declining production, and a final period of obsolescence or death.
- ◆ **Maintenance needs.** Just as the gears which drive the transmission in your car need transmission fluid to keep them moving as well as other services throughout the stages of their lifecycle, employees need periodic maintenance to keep their skills in line with current needs and updates in the employment offer to meet changing life needs.
- ◆ **Defined capacity.** This characteristic more than any other drives the most common pushback that people are not machines; however, it is also the one where humans are most like machines. A machine on the manufacturing floor can only be as productive as it was designed to be, and cannot be pushed to accomplish any more without modification. In a similar fashion, most mechanical machines cannot be run at maximum output indefinitely without negative impact on the lifecycle of machine. Most employees could not work a 120-hour indefinitely, but a number have proven it can be done on a short-term basis.
- ◆ **Defined capability.** A monochrome laser printer cannot print pages in color, although it can try. Likewise, an employee who is skilled in financial planning could not successfully perform brain surgery, although he or she could try. With modification, it is possible that the laser printer could print in color and that the financial planning professional could successfully complete brain surgery, but at any given time the asset does have a defined capability.
- ◆ **Cost/benefit ratio.** The final characteristic that makes managing human assets similar to managing other assets is the fact that each has a cost/benefit ratio. Much like a new machine, an employee in his or her prime can produce significantly more than a machine that is in need of maintenance. Combine this with the fact that as experience increases, so too do the costs associated with maintaining the asset. At some point in time, the cost will equalize with the benefit, at which point experience no longer demonstrates value.

Talent Resource Planning in Practice

With the understanding that talent can be managed on a macro level like any other asset, let's turn our attention to the leading practice in the area of talent management, talent resource planning. Talent resource planning is the application of CCP to the inventory of talent that comprises the organization. The analysis which drives it looks at:

- ◆ The capability and capacity of labor needed to achieve the strategic objectives of the organization
- ◆ The capability and capacity of the current talent inventory

- ◆ The gaps that exist between the two
- ◆ The methods capable of filling the gaps
- ◆ The disaster plan should any of the methods fail to close the gaps in the time allotted

As with all CCP analysis, constant attention is paid to maximizing benefit while minimizing cost. (Most organizations miss the maximizing benefit part, opting instead to focus solely on cost containment. It is after all easier!)

Cost/Benefit Analysis and Managing the Talent Inventory

One of the questions that arises when analyzing the methods capable of filling the gaps in an organization's talent inventory is, which method produces the greatest cost/benefit to the organization?

It is widely accepted that there are only two methods of augmenting the inventory of skills present in your organization: 1) acquire new skills through recruitment and outsourcing or 2) develop them through training and development activities.

As anyone who has ever baked a cake, painted a house, or built a piece of furniture can attest, sometimes it is cheaper to build or develop from scratch than to acquire something ready to use. When you procure something that is ready for immediate use, you pay a higher margin — after all, whoever sold it to you has to derive some value for doing the work for you. The same is true with talent in an organization: acquiring talent may be more costly than developing it, but it also may not be. In a talent management organization, a robust analysis coordinates both the distribution of labor and methods used to produce talent resources.

Distribution of Labor

In the modern organization, it is essential that any analysis into the cost/benefit of building versus buying talent looks at all of the possible resources that can be utilized by the organization to accomplish work, hence the inventory is not just comprised of full-time permanent employees. In a leading-edge organization, decisions must be made using data as to what type of resource makes the most economic sense to distribute work to.

Common types of labor include:

- ◆ Standard full-time or part-time employees
- ◆ Contractors
- ◆ Consultants
- ◆ Outsourcers
- ◆ Strategic partners

Data Needed to Power Talent Resource Planning

Talent resource planning and talent management in general requires that functions within HR coordinate, and work together at levels few organizations have ever witnessed. This interdependence on one another drives analysis and actions that have the potential to profoundly impact the bottom line of the organization. Unfortunately, getting people who are used to

working in a vacuum to work in an integrated environment isn't easy.

To help get you started, following are some of the types of data that will be needed to help you power a talent resource planning initiative in your organization:

Data needed from business development:

- ◆ Prioritized list of strategic business objectives
- ◆ Market projections associated with each objective
- ◆ Projected monetary impact associated with only partial attainment of objectives or delays in obtaining objectives
- ◆ Defined capability and capacity of all current strategic business partners

Data needed from operating unit leadership:

- ◆ Forecasted change in skills inventory necessary to accomplish strategic business objectives relative to the operations of the unit

Data needed from finance (vendor relations):

- ◆ Defined capability and capacity of all current contractors, consultancies, and outsourced service providers approved for use

Data needed from staffing:

- ◆ Projected cycle times to source, screen, offer, and hire talent needed according to skill type and mastery level needed
- ◆ Total projected talent acquisition cost according to skill type and mastery level needed
- ◆ Total compensation expectations according to skill type and mastery level needed
- ◆ Historical time to minimum productivity for new hires according to skill type and mastery level needed
- ◆ Historical short-term turnover rate or new-hire failure rate according to skill type and mastery level needed
- ◆

Data needed from training and development:

- ◆ Cycle time to develop needed skills profile, according to skill type and mastery level needed
- ◆ Cost to develop skills profile by resource needed
- ◆ Availability or time-line of development resources capable of augmenting current inventory
- ◆ Success/failure rate of development resources to develop mastery level required
- ◆ Risk of immediate turnover post development

- ◆ Total compensation expectations of employee post development

Conclusion

In an era of true global competition, remaining competitive comes down to managing the capability and capacity of your organization to meet the demands of your target customers, an activity that is largely dependent upon your ability to recruit, retain, motivate, and develop your labor force accordingly. Note that in the modern era, your labor force is made up of more than just the employees on your organizations payroll; it includes a significant volume of contractors, consultants, outsourced service organizations and strategic partners.

Developing world-class practices to manage the talent resources capable of driving capability and capacity will be the ability most in demand by leading organizations over the course of the next decade and as the next war for talent builds momentum. Already, organizations and individuals in developing nations flush with an influx of operating capital from outsourcing and offshoring work are looking to expand the capability and capacity of their operations by looking outside the borders of their home country.

Are you ready to compete globally? You had better be!

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Linkage
Burlington, MA
781.402.5555
info@linkageinc.com