

Part I

Creating a Talent Management Program for Organization Excellence

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Chapter 1

Designing and Assembling the Building Blocks for Organization Excellence: The Talent Management Model

Lance A. Berger, Managing Partner
Dorothy R. Berger, Partner
Lance A. Berger & Associates, Ltd.

SUCCESSFUL ORGANIZATIONS PROACTIVELY AND SYSTEMATICALLY TAKE ACTION TO ENSURE that they have the human resource capability to meet their current and future business requirements. These organizations have made talent management a critical force in their drive for excellence. Although there are a variety of approaches to talent management, our experience and research indicates that the underlying model used by high-performing organizations consists of three linked elements: a creed, a strategy, and a system. In this chapter, we will discuss each of the elements as we construct a talent management model for organization excellence.

Talent Creed

A talent management creed is composed of a widely publicized set of core principles, values, and mutual expectations that guide the behavior of an institution and its people. Collectively, the stated principles depict the type of culture an organization strives to create to achieve its unique portrait of success. The principles of the creed are embedded into both its talent management strategy and in its talent management system by incorporating its doctrines into selection criteria, competency definitions, performance criteria, and internal selection and development processes. An excellent example of such a creed is the Johnson & Johnson Credo. Johnson & Johnson is consistently among

the top group on Fortune's Most Admired Companies list. Johnson & Johnson states that "Our Credo is more than just a moral compass. We believe it's a recipe for business success." The Credo is available on the Johnson & Johnson Web site. Another highly successful company with an explicit creed is Microsoft. Microsoft believes that its values guides its employees' behaviors and must shine through in all its employees' interactions with one another and with stakeholders.

Most recently, creeds have been updated to include social responsibility, sustainability, ethical behavior, innovation, and creativity. Starbuck's creed includes reference to social and ethical responsibility. It states: "The following six Guiding Principles will help employees measure the appropriateness of their decisions: Provide a great work environment and treat each other with respect and dignity; Embrace diversity as an essential component in the way we do business; Apply the highest standards of excellence to the purchasing, roasting and fresh delivery of our coffee; Develop enthusiastically satisfied customers all of the time; Contribute positively to our communities and our environment; Recognize that profitability is essential to our future success."

Part IV, Theme 2 of this book presents a thorough treatment of these ideas and their influence on talent management.

Talent Strategy

A talent strategy makes explicit the type of investments an organization makes today in the people whom it believes will best help it achieve competitive excellence in the future. A talent management strategy views a workforce as a portfolio of human resource assets that are differentiated based on an assessment of each person's current and potential contribution to organization success. The types of people that will receive different types of investment are rooted in the organization's talent creed. We have found that, regardless of the content of an organization's creed, the talent strategies of most high performing organizations contain the following three directives:

1. Cultivate the Superkeeper.TM
2. Retain key position backups.
3. Appropriately allocate training, rewards, education, assignments, and development (TREADs).

Cultivate the SuperkeeperTM

This directive involves the identification, selection, development, and retention of Superkeepers.TM SuperkeepersTM are a very small group of individuals (about 3 percent of an organization) who have demonstrated superior accomplishments, have inspired others to attain superior accomplishments, and embody the creed, core competencies, and values of their organization. Their loss or absence severely inhibits organization growth because of their disproportionately powerful impact on current and future organization performance. Bill Gates once said, "Take our twenty best people away from us and I can tell you that Microsoft would be an unimportant company."

Retain Key Position Backups

The second directive comprises the identification and development of high-quality replacements for a small number of positions designated as key to current and future organization success. Gaps in replacement activity for incumbents in key positions are highly disruptive, costly, and distracting to an organization. To achieve organizational excellence, key positions should be staffed by, and have replacements that have, historically exceeded organization performance expectations, show a commitment to develop others, and are role models for the organization's creed. One of the most important talent management decisions the organization will make is the designation of key positions. In our experience, every organization likes to think of all its positions as key. We estimate that, when honestly rationalized, no more than 20 percent of an organization's jobs should be designated as key.

There are a number of useful criteria for determining whether a position is *key*. Following is a short list of some of them:

Immediacy: The short-term loss of the incumbent would seriously affect profit, revenue growth, operations, work processes, products, services, employee morale, stakeholder satisfaction, competitive advantage, or the prestige of the organization.

Uniqueness: The position requires a competency or set of competencies that is, or will be, unique to the organization or its industry.

Demand: The job market for incumbents holding the position is tight now or will be in the future.

Strategic Impact: The loss of a qualified incumbent for even a modest amount of time would affect the future success of the organization.

Basic: The organization could not survive without the incumbent.

Ed Newman (Chapter 43) provides an additional definition of key (critical) jobs that will be useful to readers.

Allocate TREADs Appropriately

TREADs refer to investments made by an organization today in the form of training, rewards, education, assignments, and development activities. The return on most of these investments, however, will not be realized until the future. To properly invest its TREADs, an organization must classify each of its employees based on his or her actual or potential for adding value to the organization. The employee groups, for investment purpose, can be classified on the basis of their level of performance and competencies, their leadership and development of others, and their position as role models for the organization's creed. These classifications are as follows: Superkeepers™, those employees who greatly exceed expectations now and are projected to do so in the future (3 percent); Keepers, those employees who exceed expectations now and are projected to do so in the future (20 percent); Solid Citizens, those employees who meet organization expectations (75 percent); and Misfits, those employees who are below organization expectations (2 percent). Employees are placed in this category when

they are either weak performers or lack the competencies for doing their job. Poor allocation of TREADs can lead to unwanted turnover, morale, and performance problems, particularly in Superkeeper™ and Keeper groups. In the best performing organization, 5 percent of the resources are allocated to the Superkeepers™, 25 percent of the resources are allocated to the Keepers, 68 percent of the resources are allocated to the Solid Citizens, and 2 percent go to resurrecting some of the Misfits with potential for performance improvement. Part II, “Training, Coaching, and Development,” describes in detail how TREADs can be used effectively in a talent management program.

Table 1-1 provides a strategic perspective on TREADs allocation by employee classification.

	Compensation	Training/Development	Career Paths	Visibility
Superkeeper™	Accelerate much faster than pay markets	Major investments	Very rapid	Very high recognition
Keeper	Accelerate faster than pay markets	Substantial investments	Rapid	High recognition
Solid Citizen	Accelerate moderately until competitive level is reached	Investments only to enhance competencies for current/future business situations	Moderate to none	Recognition
Misfit	No increase	Only to improve fit now or for next job if it has a reasonable probability of success	None	

Table 1-1 TREADs Allocation by Employee Classification

Talent Management System

Once an organization commits to excellence by embracing a creed and a strategy, the two strategic talent management drivers explained above, it will need to put into place a human resources system to ensure talent management implementation.

A talent management system is a set of procedures and processes that translate an organization’s talent creed and strategy into a diagnostic and implementation program for achieving organization excellence. Most successful talent management systems consist of the following four components: (1) assessment tools, (2) multi-rater assessment, (3) diagnostic tools, and (4) monitoring processes.

Assessment Tools

Our research, conducted since the first edition of *The Talent Management Handbook*, continues to show that the infrastructure of human resources systems and processes for failed organizations is typically an incoherent mosaic of unconnected, incomplete, missing, and inconsistent assessment tools and methods. This means performance appraisals, assessments of potential, competency evaluations, career planning, and

replacement planning (the core elements of talent management) are unlinked and largely irreconcilable. Additionally, the return on the cost of implementing these programs as separate and distinct is low, time expenditure high, credibility low, and employee dissatisfaction pervasive.

Successful organizations use a talent management model that contains the five assessment tools, or building blocks, listed below. The five assessment tools should be linked to ensure that each assessment is consistent with the four other evaluations. Collectively, the assessments can serve as the basis for making investment decisions consistent with the three part strategy outlined above.

Competency Assessment. Competencies are the building blocks of a talent management system. They are any behavior, skill, knowledge, or other type of stated expectation that is crucial to the success of each employee and to the success of the entire organization. Competencies used for employee assessment must always include the organization’s creed. Our research has determined that most organizations use between four and nine competencies in their talent management process.

Table 1-2 illustrates a list of nine representative core competencies and their definitions. The list has undergone little change since the first edition of this book.

Core Competency	Attributes
Action Orientation	Targets and achieves results, overcomes obstacles, accepts responsibility, establishes standards and responsibilities, creates a results-oriented environment, and follows through on actions.
Citizenship	Demonstrates a commitment to the organization’s stated creed, values, ethical codes, and principles of sustainability. Is honest, candid, and transparent in personal and business relationships. Exhibits integrity and builds trusting relationships with others.
Communication	Communicates well, both verbally and in writing. Effectively conveys and shares information and ideas with others. Listens carefully and understands various viewpoints. Presents ideas clearly and concisely and understands relevant detail in presented information.
Creativity/Innovation	Generates novel ideas and develops or improves existing and new systems that challenge the status quo, takes risks, and encourages innovation.
Customer Orientation	Listens to customers, builds customer confidence, increases customer satisfaction, ensures commitments are met, sets appropriate customer expectations, and responds to customer needs.
Interpersonal Skill	Effectively and productively engages with others and establishes trust, credibility, and confidence with them.
Leadership	Motivates, empowers, inspires, collaborates with, and encourages others to succeed. Develops a culture where employees feel ownership in what they do and continually improve the business. Creates a clear vision, accurately communicates the vision, and gets others to behave in a way to support the vision.

Table 1-2 Nine Representative Competencies (continued on next page)

Core Competency	Attributes
Teamwork	Knows when and how to attract, develop, reward, be part of, and utilize teams to optimize results. Acts to build trust, inspire enthusiasm, encourage others, and help resolve conflicts and develop consensus in supporting high-performance teams.
Technical/Functional Expertise	Demonstrates strong technical/functional proficiencies and knowledge in required areas of expertise. Shows knowledge of company business and proficiency in the strategic and financial processes, including profit and loss (P&L) planning processes and their implications for the company.

Table 1-2 Nine Representative Competencies (continued)

A comprehensive treatment of competencies is covered in Part I, “Building Block 1.”

Performance Appraisal: A performance appraisal is a measurement of actual results achieved within those areas for which the employee is held accountable and/or the competencies deemed critical to job and organization success. There are only a relatively small number of ways organizations measure employee performance. Dick Grote, in Chapter 5, describes a cogent view of performance appraisal. His model envisions performance appraisals consisting of organization competencies, job family competencies, key job responsibilities, and goals and major projects. Martin Wolf in Chapter 9 classifies performance appraisal systems as being a combination of trait-, behavior-, knowledge/skill-, or results-based. A range of performance appraisal approaches is covered in Part I, “Building Block 2.”

Potential Forecast: A potential forecast is a prediction of how many levels (organization/job) an employee can progress within an organization based on his or her past or current performance appraisals, training and development needs, career preferences, and actual and projected competency levels and positions that represent realistic future job opportunities. Like any forecast, an individual’s potential is subject to periodic evaluation. It is heavily influenced by the quality of the input provided by different assessor groups and by a variety of situational factors associated with job conditions at different moments in time. Murray Dalziel (Chapters 2 and 12) feels that collectively three critical attributes can be used to assess potential no matter what assessment process or rating system is used. These attributes are as follows:

“How does the individual set his or her business agenda?”

“How does the person take others with him or her?”

“How does the person present him- or herself as a leader?”

It would be reasonable to assume that periodic multi-rater assessments based on these attributes could generate a reasonable forecast of potential. A complete review of potential forecasting can be found in Part I, “Building Block 3.”

Measurement Scales for Performance and Potential: Our large-scale study of organizations involved in some type of successful talent management process showed that the vast majority use a simple five-point scale to measure performance and potential. The most common scale for performance measurement is as follows: greatly exceeds

expectations (5), exceeds expectations (4), meets expectations (3), below expectations (2), greatly below expectations (1). The most common scale for potential assessment is: high potential (5), promotable (4), lateral or job enrichment (3), marginal (2), none (1). Our conclusion is that most organizations discover that simpler is better. The scales are straightforward and they achieve credible results.

Succession Planning: In the broadest sense, the process that seeks to identify replacement candidates for current incumbents, and potential future job openings, and to assess the time frames in which they can move to these positions.

Career Planning: This process identifies potential next steps in an employee’s career and his or her readiness for movement to new positions. Career planning merges the organization’s assessment of employee growth readiness (succession plan), employee career preferences, and the likelihood that positions in a career path will become available.

Table 1-3 illustrates, in the form of a bench strength summary, the merging of succession and career planning.

Position	Potential	Performance	Next Position	Status	Replacement(s)	Status
Bednarik, Charlene Executive VP (Female) Keeper	P	EE	President and CEO	Now	Logan, Bill	12–24 Mos.
Mantle, Morris Executive VP Superkeeper™	U	GEE	VP and CFO	Now	LeClerc, Juan	12–24 Mos.
Maris, David VP and CFO Key position	NP	ME			Blocking Mantle, M. Jones, G. Surplus	Now Now
Williams, Otis (Minority) VP, HR	P	EE	EVP Quality	Now	Martinez, P. Gonzalez, P. Surplus	12–24 Now Now
Hingis, Martin VP, VP-R&D Key position	NP	GBE (performance problem)			Void	

Potential: P (Potential–1 or more levels); U (Unlimited Potential); LR (Lateral Rotational); NP (No Potential)
Performance: GEE (Greatly Exceeds Expectations); EE (Exceeds Expectations); ME (Meets Expectations); BE (Below Expectations); GBE (Greatly Below Expectations)
 The Bench Strength Summary captures the key elements for aligning people with organization needs. Five action items with recommendations are identified:
Void: Positions with no replacements. 1. Select from talent pool. 2. Add to talent pool and accelerate development. 3. Identify backups. 4. Begin external recruitment. 5. For key positions accelerate the process.
Surpluses: Positions with more than one replacement. 1. Redirect career paths. 2. Move high potentials quickly. 3. Job rotation inside unit. 4. Task force assignments.
Blocking: Non-promotable managers with promotable subordinates. 1. Move incumbent or backup within one year. 2. Job rotation outside unit. 3. Special projects.
Performance Problems: Employees not meeting expectations. 1. One more accomplishment review. 2. Focus on results and competency improvement. 3. Terminate (consult HR department).
Superkeeper™: Very accelerated career paths and compensation growth, high development investment; formal mentor and sponsor arrangement.

Table 1-3 Illustrative Bench Strength Summary

Bill Rothwell and six other experts provide an extensive treatment of succession and career planning in Part I, “Building Block 3.”

Multi-Rater Assessment

The best talent management systems utilize the input on an ongoing basis of different raters. Critical assessments come from the “vertical and horizontal organization,” since most decisions on succession planning, career planning, and job assignments require the approval and ownership of progressively higher levels of management as well as different functions. Performance appraisals almost always are confirmed by two levels of supervision. This multi-rater approach should be utilized in the other types of assessment and extended to more assessors. The addition of assessors and assessment tools necessitates a reconciliation process to ensure a consistent and mutually agreeable basis upon which TREADs investments can be made.

Final assessment, and decisions, regarding upward mobility or job reassignment must minimally include input from the following:

- *Employee*. The owner of the career plan that is aligned with the succession plan.
- *Boss*. The primary assessor who, in most cases, is most familiar with the employee.
- *Boss's boss*. The key link in the vertical succession and career plan.
- *Boss's peer group*. Source of potential new assignments in the same or other function.

Kevin Wilde in Chapter 14 discusses the “influencers” in the talent review and further information on multi-rater assessment can be found in Part II, “Coaching, Training, and Development.”

Diagnostic Tools

Diagnostic tools are analytical devices an organization uses to convert the assessment of its people into a talent management plan. The five core diagnostic tools that are typically used by high performing organizations involve identifying the following strategic drivers:

1. *Superkeeper™ reservoir*. Superkeepers™ are employees whose performance greatly exceeds expectations, who inspire others to greatly exceed expectations, and who embody institutional competencies (including the creed). An organization must ensure that it has a cadre of these critical employees, since they will ensure its sustainability.
2. *Key position backups*. The “insurance policies” that ensure organization continuity. Every key position should have at least one backup at the “Keeper” (exceed job expectations) level.
3. *Surpluses*. Positions with more than one replacement for an incumbent. While ostensibly a positive result of the talent management process, it can be a potential source of turnover and morale problems if the replacements are blocked by a non-promotable incumbent and/or there is no realistic way most of the promotable replacements can advance.

4. *VOIDS*. Positions without a qualified backup. Once voids are identified, the organization should determine whether it will transfer someone from the surplus pool, develop alternative candidates, or recruit externally.
5. *Blockages*. Non-promotable incumbents standing in the path of one or more high-potential or promotable employees.
6. *Problem employees*. Those not meeting job expectations (measured achievement or competency proficiency). They should be given the opportunity to improve, receive remedial action, or be terminated. The time frame for observed improvement should be no longer than six months.
7. *TREADs allocation*. The value of investments in training, rewards, education, assignments, and development based on an employee's current and projected contribution to the organization—that is, the investment in Superkeepers™ and Keepers, key position backups, and solid citizens. See allocation of TREADs above.

Monitoring the Process

The robustness of any talent management process should be periodically measured to ensure that it continues to be effective. Monitoring enables an organization to fine-tune its talent management system on an ongoing basis in accordance with its creed and talent management strategy. The best-performing companies minimally use the following four broad measures:

Quality. Is the talent management strategy delivering results as measured by the maintenance of a sufficient reservoir of Superkeepers™ and backups for key positions with at least Keeper-level replacements? Are TREAD investments aligned with actual and forecasted employee contribution? Are the results of the talent management process seen at tactical levels, as evidenced by higher organization performance, lower turnover rates, reduction in both voids and surpluses, weeding out of the misfits, employee performance distributions aligned with overall company performance, pay decisions aligned with performance, and high levels of employee engagement and morale?

Timeliness. Does the talent management system work in a stated time frame or is it viewed as too protracted as a decision-making process?

Credibility. Are management and employees engaged by system? Do people believe the system works and is fair?

Summary

In this chapter, we have created a talent management model based on the practices of high-performing organizations. It consists of three linked elements: a creed, strategy, and system. The model requires that the principles of the organization's creed are embedded into both its talent management strategy and in its talent management system by incorporating its doctrines into selection criteria, competency definitions, performance criteria, and internal selection and development processes.

The talent management strategy contains the following three directives:

1. Cultivate the Superkeeper™.
2. Retain key position Keeper backups.
3. Appropriately allocate training, rewards, education, assignments, and development (TREADs).

The talent management system utilizes a set of procedures and processes that translate the organization's creed and strategy into a diagnostic and implementation program for achieving organization excellence based on four components: (1) assessment tools, (2) multi-rater assessment, (3) diagnostic tools, and (4) monitoring processes.