

Part I

Using Talent Management to Build a High-Performance Workplace

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Chapter 1

Using Talent Management to Build a High-Performance Workforce

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SUCCESSFUL ORGANIZATIONS SYSTEMATICALLY DESIGN, INTEGRATE, AND PROACTIVELY implement programs that build and sustain a high-performance workforce. These programs focus on acquiring, cultivating, positioning, and rewarding employees who can best achieve their goals while remaining true to stated values. When their approach to building a high-performing workforce is fully integrated and codified, it is labeled “talent management.” Although there are a variety of approaches to talent management, our recent experience and research indicate that the type of integrated and codified approach typically used by high-performing organizations consists of three iterative components: a *blueprint*, a set of *building blocks*, and a *system* that effectively integrates the human resource programs cited above. In this chapter, we discuss each of the components.

Blueprint

A blueprint is a set of principles that guides the organization’s strategic and tactical talent management processes. It consists of a creed and a talent management strategy.

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, these stated doctrines depict the type of culture an organization strives to

create to achieve its unique portrait of success. The principles of the creed are embedded in both its talent management strategy and in its talent management processes by incorporating its doctrines into selection criteria, competency definitions, performance criteria, and internal selection, compensation, and development processes. An excellent example of a creed is the Johnson & Johnson credo. Johnson & Johnson is consistently among the top groups on Fortune's Most Admired Companies list. Johnson & Johnson states, "Our Credo is more than just a moral compass. We believe it's a recipe for business success." Another highly successful company with an explicit creed is Microsoft. Microsoft's standards of business conduct are an extension of the company's values and reflect its continued commitment to ethical business practices and complying with the law. It is expected that employees are well informed and exercise good judgment when making business decisions, and the standards are designed to help them make the right decisions for themselves and Microsoft.

Most recently, creeds have been enhanced 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."

An organizational creed can also include provision for an "employee brand" or "employee experience." In Chapter 3 of this book, William Schiemann uses the term *employer brand* to refer to the "broadest reputation" of an organization expressed as an employer *talent value proposition (TVP)*. It covers the primary attributes that will distinguish the employer to both potential hires and current contributors. That is, what does the contributor expect from the organization (e.g., great benefits, creative environment, autonomous work environment) and what, in turn, does the employer expect from the contributor (e.g., creative ideas, adherence to values, long but flexible hours)?

Jacob Morgan in Chapter 55 of this book defines the "employee experience" as an important force that will shape an organization's approach to talent management. He sees it as an environment that is created when an organization focuses on making itself a place where people want to show up instead of a place where people need to show up. This shift from "need" to "want" is a fundamental change that organizations around the world face. Organizations using these approaches typically make them a centerpiece of their talent acquisition and engagement programs.

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 who will receive different types of investment are rooted in the organization's talent creed. For the purpose of this chapter, we have classified the workforce into the following groups:

- *Superkeepers*: Those employees who greatly exceed expectations now and who are projected to continue to do so in the future (3 percent).
- *Keepers*: Those employees who exceed expectations now and who are projected to continue to do so in the future (20 percent).
- *Solid citizens*: Those employees who meet expectations (75 percent).
- *Misfits*: Those employees who are below expectations (2 percent). Employees are placed in this category when they are either weak performers or lack the competencies for doing their job.

In this classification system superkeepers and keepers are the primary role models that shape the high-performance culture.

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:

- Cultivate the superkeeper.
- Retain key position backups.
- Appropriately allocate training, rewards, education, assignments, and development (TREADs).

Cultivate the Superkeeper

This strategic directive involves the identification, selection, development, and retention of superkeepers. 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 20 best people away from us and I can tell you that Microsoft would be an unimportant company."

Retain Key Position Backups

The second directive involves the identification and development of high-quality replacements for a limited number of positions designated as key to current and future organization success. The 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 employees, and have replacements who have, historically exceeded organization performance expectations, show a commitment to develop others, and are role models for the organization's creed. These employees are the superkeepers and keepers.

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 considered, no more than 20 percent of an organization's jobs should be designated as key.

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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 tight 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.

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 uses the classification of employees based on his or her actual or potential for adding value to the organization. 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 there is a reasonable probability of success	None	

Table 1.1 TREADs Allocation by Employee Classification

Building Blocks

Once an organization formally commits to building a high-performance workforce, it will need to translate its talent creed and strategy into assessment tools that classify its people into one of these four categories: Superkeeper, Keeper, Solid Citizen and Misfit.

Our research, conducted since the second edition of *The Talent Management Handbook* was published, continues to show that the infrastructure of human resources programs and systems of most organizations remains an incoherent mosaic of unconnected, incomplete, missing, and inconsistent talent management strategies, assessment tools, and programs. This means that performance appraisals, assessments of potential, competency evaluations, career planning, and human resources planning (the core elements of talent management) are not integrated and are largely irreconcilable. Additionally, the return on the cost of implementing these elements as separate and distinct is low, the time expenditure is high, credibility is low, and employee dissatisfaction is pervasive.

Successful organizations use a talent management approach that links the three assessment tools, or building blocks, listed below. The assessments serve as the basis for making investment decisions consistent with classification of talent defined in the strategy outlined above.

Competency Assessment

Competencies are one of the building blocks in a talent management model. 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.

Laci Loew in Chapter 6 identifies four types of competencies. They are:

- Organizational competencies (also called core or core value competencies) are identified during the strategic planning process and usually stay fairly static. These competencies should be closely tied to the creed.
- Functional competencies cascade from core competencies and describe specific skills and standards of performance needed by an individual working in a particular industry and are associated with specific work functions or business units.
- Job competencies (also called occupational competencies) cascade from core and functional competencies and are anchored directly to the specific behaviors, skills, and knowledge required for exceptional performance in a specific job.
- Leadership competencies describe the factors that lead to success for all supervisors, managers and leaders, senior staff, executives, and others who occupy management and leadership roles. They define what a strong leader "looks" like in line with the organization's culture and are used to guide the development of organizational leadership development programs and evaluate managers' and leaders' readiness to take on leadership roles.

Our research has determined that most organizations typically use up to 10 competencies in their talent management process.

Table 1.2 illustrates a list of 10 representative core competencies and their definitions. The list has undergone little change since the second 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.
Communications	Communicates well, both orally 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.
Critical judgment	Possesses the ability to define issues and focus on achieving workable solutions. Consistently does the right thing by performing with reliability.
Customer orientation	Listens to customers, builds customer confidence, increases customer satisfaction, ensures that commitments are met, sets appropriate customer expectations, and responds to customer needs.
Emotional intelligence	Possesses the capability for recognizing, regulating, and constructively handling one's own emotions and the emotions of others.
Interpersonal skill	Effectively and productively engages with others and establishes trust, credibility, and confidence with others.
Leadership	Motivates, empowers, inspires, collaborates with, and encourages others. Develops a culture in which employees feel ownership in what they do and continually improve the business. Builds consensus when appropriate. Focuses team members on common goals.
Teamwork	Knows when and how to attract, develop, reward, and utilize teams to optimize results. Acts to build trust, inspire enthusiasm, encourage others, and help resolve conflicts and develop consensus in creating high-performance teams.
Technical/functional expertise	Demonstrates strong technical/functional proficiencies and knowledge in 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 Representative Core Competencies

Employees who demonstrate strength in these competencies are the role models for the high-performance culture and need to be positioned in key roles.

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, Chapter 8, 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, Chapter 9, in the second edition of this handbook classifies performance appraisal systems as being based on one or more of the following:

- *Trait based*: Assumes that certain traits drive performance; measures personal characteristics of the position incumbent.
- *Behavior based*: Assumes that certain behaviors drive performance.
- *Knowledge/skill based*: Assumes that certain knowledge/skills drive performance; measures what the position incumbent knows/applies.
- *Results based*: Assumes that achievement of objectives equals performance; measures what the position incumbent achieves.

Further coverage of performance appraisal approaches can be found in Chapters 7 through 10.

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 assessors and by a variety of situational factors associated with job conditions at different times. Potential forecasts are dynamic and could change with the nature of assessments and assessors over time.

Murray Dalziel, Chapter 11, feels that collectively three critical attributes can be used to assess potential no matter what assessment process or rating system is used:

- *Change lens*: The change lens looks at employees from the viewpoint of how they set an agenda for change. The key issue for evaluating potential is whether the person sees himself or herself as a change agent. We can adjust this lens to look at some subdimensions. Where do they see the source of change? Are they incremental, or do they look at a more radical view of what has to be changed? Is it in an area that exceeds standards? Does it set a new standard? An alternative driver that some people use is to turn thinking around and see the world in fresh ways. This is more than great analytic ability, although the more complex the change that is envisaged the more analytic abilities will be needed. The emphasis should be on looking at how the person brings disconnected points into a new focus.
- *Conviction lens*: With the conviction lens the focus is on how the employees convinces others of their convictions. In a changing environment, taking others with you as a leader has to start with a strong platform. Strong beliefs provide a source of clarity. That clarity of direction enables leaders at all levels to communicate. Therefore, to focus this particular lens, we ask, "What is their ability

to communicate their conviction?" In addition, we need to ask, "Do people find his or her conviction credible?" Leaders are never disconnected from their followers. The leadership task is often to shape or reshape the views of followers. Are leaders able to understand others? Can they shape positions so that people will follow them and trust that they represent them? So this is broader and more inclusive than persuading people on a particular issue or being able to make compelling presentations.

- *Commitment lens*: In the commitment lens we look at whether there is evidence that leaders have the capability to commit, often referred to as follow-through. The follow through shows the ability to translate change agendas and convictions into action. The recognition by others that this is what they do is a positive indicator that others will follow.

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 uses a simple five-point scale to measure performance and potential. Table 1.3 describes these scales. It also includes a scale for replacement status.

Multirater Assessments

The best talent management programs utilize input from different raters on an ongoing basis. 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 usually are confirmed by approvals from two organization levels. This multirater approach should be utilized in other types of assessment and extended to more assessors. The addition of multiple 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*: Employees are co-owners of their own appraisals. Appraisals are the basis of coaching, training, education, career planning, compensation, and succession planning and development decisions. Reconciliation of an employee's appraisals (competencies, performance, potential, succession, and career planning) with that of other stakeholders is an essential part of improvement, preparation, and engagement. Three types of appraisers listed below will help make all types of appraisal more meaningful.
- *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 functions.

Performance	Potential	Replacement Status
<p>A performance appraisal is a <i>measurement</i> of actual results achieved within those areas for which the employee is held accountable. These areas are jointly defined by each supervisor and subordinate. In appraising performance, supervisors are urged to evaluate results/accomplishments in terms of mutual expectations. The definitions below should be assigned based on a summary of employee achievements.</p> <p>Outstanding: Accomplishes much more than the position asks for, actually expands the scope of job. You, as manager, are pressed to keep up with all his/her activities. Can be identified with several specific major accomplishments. Makes significant contribution to divisional goals.</p> <p>Exceeds Expectations: Exceeds the basic requirements of the job description and can be identified with specific outstanding accomplishments. Develops means to make his or her area of responsibility a better contributor to the unit's goals.</p> <p>Meets Expectations: Accomplishes all that is required in the job description, i.e., doing the job he or she hired to do. Works according to plan.</p> <p>Below Expectations: Not meeting basic requirements of the job.</p> <p>Terminate: Situation requires immediate review and action. Well below expectations.</p> <p>Not Known: New to job, cannot evaluate now. Should not remain without rating for more than six months.</p>	<p>A potential appraisal is a <i>prediction</i> of how well an employee will do in future positions. This prediction can be made only by projecting past/present data on performance appraisals, training and development needs, individual career preferences, and competencies into future job prospects. Based on this projection a classification should be applied based on the evaluation system below.</p> <p>Unlimited: Can move at least three levels beyond present position either within present unit or in some other unit. Could attain a position in top management.</p> <p>Promotable: Can move one or two levels beyond present position either within present unit or in some other unit.</p> <p>Lateral or Rotational Movers: Can handle positions of comparable responsibility, as well as special projects or expansion of present job. Can move laterally.</p> <p>Marginal: Unclear at this level whether lateral or no potential is proper rating.</p> <p>No Potential: Cannot expand present job upwards or laterally.</p> <p>Not Known: This should not be used in describing potential since it is assumed that some type of basic career forecast can be made even in the case of a new hire or in the case of a new job.</p>	<p>Replacement status defines the extent to which the <i>replacement</i> for an incumbent is prepared to assume the incumbent's position. Career preferences must be taken into account.</p> <p>Now: Can do the job now.</p> <p>1 Year: Has most qualifications, but will require a limited amount of additional experience before assuming position. Can assume position within 1 year.</p> <p>1+ Year: Generally needs additional experience and/or training. More than one year away from move</p> <p>Holding: Can do job strictly as a holding action, but does not have the capability or experience to perform now other than as a temporary stand-in.</p> <p>Not applicable.</p> <p>Not applicable.</p>

Table 1.3 Talent Management General Definitions

System

Once an organization has established its own unique set of talent management building blocks it must then deploy an integrative system to implement its talent management strategy. A talent management system consists of two components:

- Four core human resources programs.
- A process for integrating the four core programs into a unified plan for implementing a talent management strategy.

Four Core Programs

The four core programs discussed below incorporate the three building blocks (competency assessment, performance appraisal, and potential forecast). These programs become the vehicles that implement the talent management strategy which is necessary to build a high-performance workforce.

- *Positioning*: Programs that manage all internal employee mobility actions. It includes replacement planning, career planning, and all internal assignments.
- *Enhancement*: Programs that utilize employee building block assessments to facilitate employee coaching, training, education, and development actions.
- *Mobility*: Programs originating from the positioning plan. They involve the identification, attraction, recruitment, and on-boarding of new employees who meet the requirements of the talent strategy.
- *Compensation*: Programs that cover all pay actions necessary to attract, retain, incentivize, and reward people based on their classification within the stated talent management strategy.

The Integrating Process

In order for a talent management system to work effectively, the four core programs must be integrated into a unified plan for implementing a talent management strategy. The integrated plan is the last component of the talent management approach necessary for building a high-performance workforce. It enables us to define and implement specific actions that address significant issues tied directly to the talent management blueprint and strategy including:

1. Does the organization have its targeted percentage of superkeepers (2 percent) and keepers (20 percent)?
2. Are employee performance appraisal ratings consistent with objective methods for determining organizational performance?
3. Do the ratings on the value-oriented competencies match the results of surveys that measure the strength of the organization's creed, employer brand, and engagement level?
4. Does the organization have at least one backup for each key position who is at keeper (exceeds job expectations) level or above?

5. Is the organization addressing the issue of 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 a nonpromotable incumbent blocks replacements and/or there is no realistic way most of the promotable replacements can advance.
6. Is the organization addressing the issue of voids (positions without a qualified backup)? Once voids are identified and confirmed, the organization must be prepared to recruit externally.
7. What is the plan for dealing with nonpromotable incumbents standing in the path of one or more high-potential or promotable employees (blockages)? Blockages are potential contributors to turnover in strategic talent groups.
8. What is the plan for dealing with problem employees? Those not meeting job expectations (measured achievement or competency proficiency). Should they be given the opportunity to improve, receive remedial action, or be terminated?
9. Are TREADs (training, rewards, education, assignments, and development) being allocated based on employee classification superkeepers, keepers, key position backups, and solid citizens?
10. Is the overall bench strength sufficient to meet organization needs?

Integrative Approach

Table 1.4 is a bench strength summary. It is an example of an integrative approach that centers on positioning and related actions that can be taken to address talent management issues. It merges:

- *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's career preferences, and the likelihood that positions in a career path will become available.
- *Key position backup designation*: The insurance policies that ensure organization continuity. Every key position should have at least one backup at the keeper (exceed job expectations) level.
- *Potential turnover identification*: The organization needs to be aware of the potential for increased turnover resulting from surpluses and blockages. Surpluses are 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 nonpromotable incumbent and/or there is no realistic way most of the replacements can advance. Blockages are nonpromotable incumbents standing in the path of one or more high-potential or promotable employees.

- *Opportunities for talent acquisition:* Voids are positions without a qualified backup. Once voids are identified, it is appropriate to initiate plans to recruit externally.
- *Upgrading or termination of problem employees:* Those not meeting job expectations (measured achievement or competency proficiency) should be given the opportunity to improve, receive remedial action, or be terminated.

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	OUT	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	Now 12-24 Mos.
Hingis, Martin VP, VP-R&D) Key Position	NP	BE (performance problem)			Void	
<p>Potential: P (Promotable—1–2 levels); U (unlimited potential); LR (lateral rotational); NP (no potential).</p> <p>Performance: Outstanding (greatly exceeds expectations); EE (exceeds expectations); ME (meets expectations); BE (below expectations).</p> <p>The Bench Strength Summary captures the key elements for aligning people with organization needs. Five action items with recommendations are identified:</p> <p>Void: Positions with no replacements. (1) Expand current talent pool. (2) Begin external recruitment process. (3) For key positions accelerate the process.</p> <p>Surpluses: Positions with more than one replacement. (1) Redirect career paths. (2) Move high potentials quickly to other positions. (3) Job rotation inside unit. (4) Task force assignments.</p> <p>Blocking: Nonpromotable managers with promotable subordinates. (1) Move incumbent or backup within one year. (2) Job rotation outside unit. (3) Special projects.</p> <p>Performance Problems: Employees not meeting expectations. (1) One more accomplishment review. (2) Focus on results and competency improvement. (3) Terminate (consult HR department).</p> <p>Superkeeper: Accelerated career path and compensation growth, high development investment; formalize coach, mentor and sponsor arrangement.</p>						

Table 1.4 Bench Strength Summary

Summary

In this chapter, we present a talent management approach based on the practices of successful organizations. These organizations systematically design, integrate, and proactively implement programs that build and sustain a high-performance workforce. These programs focus on acquiring, cultivating, positioning, and rewarding employees who can best achieve their goals while remaining true to stated values. When their approach to building a high-performing workforce is fully integrated and codified, it is labeled talent management. Although there are a variety of approaches to talent management, our recent experience and research indicate that the type of integrated and codified approach typically used by high-performing organizations consists of three iterative components: a blueprint, a set of building blocks, and a system that effectively integrates the human resource programs cited above.