

Talent and human resource policies

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More than ten years ago, a top senior manager of the company where I was working proposed finding out what each employee knows at every moment as the main challenge in human resources. He asked me to do something impossible, as the machine able to show everybody's exact degree of knowledge when signing in each morning, updated with the most recent acquisitions and losses, had not been invented yet – nor has it fortunately been in the meanwhile! But, in a way, he also showed an obvious concern to know which employees carried the talent that made the company a leader in its sector. This would allow us to set up a whole range of actions to use their experience and knowledge, to guide their training and salary progression, to plan their professional career within the organisation and also to search the market for the kind of people having the knowledge we were performing poorest in.

With the popularity the battle for talent has in business today, a vision of Peter Drucker comes true, who predicted that while the 20th century had been that of machines, the 21st would be the century of knowledge workers. Some go as far as mentioning Marx, who forecast that in a future to be defined, workers would be in command of production means. All companies, with more or less intensity and success, have cared about having the best suited people and keeping them within their structure, though they have been doing so in a hardly methodical way and in some places much earlier than in others.

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Professional business management considers planning one of its most crucial stages. This requires a previous definition of where to go, followed by having all resources needed to provide for any likely situation. However, companies have historically planned their purchases, sales, financial resources and stocks very well, but much less so human resources. And yet they have more often than not been struck by the loss of valuable employees difficult to replace. It seems as if people were –perhaps fortunately– not fully predictable and always good for some surprise.

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At companies, people have been the focus of the human resource department, area or division, whereas the other areas did not care about them despite suffering from its consequences as their units were also made up of people. The composition of the board of

directors is a good example of this: human resource management has been among the last to become a full part of the strategic setup par excellence of companies.

Talent as such has not been the main concern of human resource departments either. A publication like the ESADE Cranfield Report, with a reputation based on its tradition and European reach, only included questions related to professional careers into its enquiry as late as 2005, most probably because the number of companies able to tell something about it was hardly representative.

Contrarily, many tools currently related to talent have been developed for decades and experienced several hypes among human resource professionals. Multinational companies, aware of the need to fill as quickly as possible strategic vacancies left at any place of the world, were the first to create assessment centres, potential assessments, HiPo (High Potentials) programmes, corporate universities and management succession plans, among others, as well as to use terms such as coaching and mentoring that have become commonplace all over.

Identifying talent

Human resource managers have had to suggest and apply those policies they believed to be most adequate for the company in areas such as selection, training and payment of managers and employees. However, they have not been happy for some years with overall policies including the maximum number possible of candidates to choose from, trainees to teach or employees to pay. Exceptions were starting becoming so numerous that individualisation has made its way in spite of the resilience of trade unions and even employees.

In effect, selection criteria now need to be adapted to each group, and even each vacancy to each candidate. Training needs are very customised and have less similarities within the

same organisation than they used to. Salary –both fixed and variable– as well as payment conditions and evolution are so customised that payroll structures become very complex and comparisons more difficult. On the one hand, this individualisation makes administrative control more complicated, requiring a more personalised treatment, but on the other hand, it helps understand how to tackle talent management.

There is an indispensable previous stage to ensure the success of actions such as selection and career development of valuable employees. It is about identifying talent, knowing what it means to each company and each area of the organisation in order to know how to measure it. Without this internal elaboration phase, searching for talent and keeping it at the company will be subject to variable criteria according to who does the selection or who is in charge of human resources.

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Although it is the human resource people who have the say, other management areas still need to take part in setting the technical skills that will determine talent out of an excellence perspective. The most evident talent is often that of specialists, experts in a specific area, of which there are few on the labour market and who are critical to the success of a project, system, process or product. The affected management areas will need to be sharp-eyed to make out where a good command of the subject finishes and talent starts. However, as in many other areas, outstanding talent may eventually be of no use to the company; the daily press often features cases of employees having used their talent to their own benefit, inflicting a great damage on the image of the company paying them and on its customers' confidence. But specific

talent is only one part of the whole set of required skills.

Full involvement by the whole senior management is therefore indispensable to determine what the company's core competencies are. There are companies of many kinds; some appreciate more integration and effort, others give priority to brilliant ideas or spectacular results, others in turn prefer consolidation and the long term – and, without any doubt, all wish to have devoted, collaborative, reliable and especially honest employees and managers.

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These values need to materialise in specific, visible and thus assessable qualities and attitudes. Subjective impressions are not enough, as they can change from one day to the other according to circumstances. Some managers may congratulate their head of human resources for hiring an employee having made a correct decision or having had an especially profitable idea, but then be ready to fire them some days later because of a mistake. Talent is not a one-off.

There are ever more companies having a full assessment of their staff's potential after mapping their competencies. As people change over time, they will need to provide for regular updates, which is easier if managers do 360° feedback or performance appraisal. Such an analysis is done properly, not just as a once-a-year commitment to show off or with the only purpose of giving annual incentives.

Some companies lagging behind in implementing such management tools have created development centres, proficiency courses or similar things to assess explicitly the true potential of their young employees with future perspectives. The common denominator is the time employed and the cost of all these initiatives. It is

clear that no matter their amount, they will be less than the cost arising to the company when losing an employee; according to some estimates and depending on the industry and job, accounting everything from the loss of performance and temporary replacement to selection of candidates and full adaptation of the person chosen, the cost for a company is roughly the salary of one year and a half of that employee, excluding the effect it may have on the performance of other employees and the loss of customers.

Resort to external experts in competencies and investment in software facilitating the processing of so many dynamic data usually comes with programmes designed to identify entrepreneurial talent and keep it updated. These are almost mandatory cost positions when drafting a budget.

Based on the sum of its competencies, the company will be able to know on what employees its success or failure relies. Many organisations often concentrate efforts of any kind on top employees, i.e. those standing out for their future potential, while disregarding those at the bottom and the negative effect they have on their teams, the whole organisation and the performance and motivation of the most valuable employees. Human resource policy needs to be consistent both at the top and the bottom. It makes no sense to invest in the good so they do not leave while wasting money with the bad, who will not leave.

The cost for a company when losing a good employee is roughly the salary of one year and a half of that employee, excluding the effect it may have on the performance of other employees and the loss of customers.

The worst that can happen is that the organisation infers from the result of the analysis of its potential that it lacks talent needed to make

progress in future. However, present market dynamics increases challenges, so even at those organisations satisfied with their talent, knowledge that used to be highly appreciated at a given point may quickly lose importance and circumstances may require improved or new talent.

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In any case, it will be necessary to search the market for necessary talent, so a company needs to be attractive to have success.

Attracting talent

It should be stated as a thesis that talented people are, with some exception, the first to know it, that is, they are aware of the power they have – or will have – over key aspects of the company, so the representatives of that company should assume this with absolute normality from the onset of the capturing process. This implies flexibility and adaptation, being aware that personalised hiring conditions may create unrest within the organisation due to discrimination and even cause the departure of people who see their future expectations cut down with new arrivals. Good internal communication is obviously a good recipe since unexpected action may be felt as deceit.

Human resource management needs to find a balance between experience of the own staff and always necessary fresh air. Focusing only on talent search outside the organisation while in-house talent gets lost will not only negatively affect the internal atmosphere but also turn out to be very expensive.

But, what do talented candidates ask from companies? What will cause them to make the step and change employers? Where lies the appeal of an offer? For many years, studies have been published on what makes companies attractive to the most sought candidates. Their preferences –or rather requirements– not only can change with age but they have done so with changing times. This has caused some demands to stay, others have gained or lost relevance and new ones have come up.

Many companies have wrongly believed that talent is paid with money only, placing economic aspects above the rest. Most studies confirm the relevance of fixed salaries, but their relative importance has decreased, giving way to other, less pecuniary requirements. An attractive variable salary or incentives keep in turn a prominent position on the list of preferences for change –but not as a loyalty factor!– which also features recognition, learning and training, senior management quality and especially credibility of the business project related to the job to be done. Talented candidates thus want to be sure that change will not be a setback to their development.

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Other more practical aspects such as holidays and working hours –except for women as to the latter– or rather image-related ones such as the company's prestige or internal communication are not considered important nor helpful to retain them, according to statements. On the other extreme, the highest scores go for a good working climate and especially a good relationship with the immediate boss; for good and for bad, candidates will not know this until they are in.

Finally, new times bring about factors with an increasing appeal that could catch by surprise

the one or other traditional company. Some valuable candidates currently wish to devote time –and hence part of their talent– to other activities not directly related to their job, such as volunteering, by reducing or redistributing their working time. In this respect, those companies conveying and practising corporate social responsibility, both in their vision and image, are becoming increasingly attractive.

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As to seizing talent, scarcer than capital according to some, companies anticipating needs (e.g. planning for new customers) will have an advantage over those being reactive only (e.g. as a response to an already occurred increase). Hence anticipation and flexibility are desirable features of the human resource policy at organisations willing to seize the talent that is out on the market; work from home, an informal environment and similar experiences are usually helpful.

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As to selection methods used, after some decades of obsession for objectivity (e.g. tests), companies have recovered the central role of the selection interview on top of CV information, that is, face-to-face exchange in which they are able to grasp the degree of some more abstract competencies, even with a more subjective component, often mitigated by methodology-based interviews (e.g. critical incidents).

At a more sophisticated level, assessment centres used to bring together several participants (external, internal or mixed) in their past golden time, analysing different competencies (analytical ability, planning capacity, coordination of meetings, public presentations, negotiation skills, pursuit of goals, leadership skills, etc.), although some external candidates with proven value experienced this as being too distressful and unnecessary, which cooled down their participation in and sympathy towards the organisation. In connection with interviews and assessment centres, cost appears again as a common denominator, but given the war for talent, it is an investment that pays off.

This search for talent forces human resource departments to do marketing, which despite increasing the company's appeal is not free from the biggest of all risks: the image candidates buy needs to be consistent with the reality they will find once they are in, especially the quality of the relationship with their direct boss.

Retaining talent

Talent rotation between companies and sectors is obvious in an increasingly interconnected world. Specific, but especially managing talent is sought and those having it in their staff need to do everything to keep it. The only way to do so is satisfying those needs able to motivate talented people. Most of the above-mentioned factors able to attract the talented to a company also serve to keep them there. However, as we have said, some draw the attention without engaging, but there is another great difference: once they are in they cannot be deceived because they already know what the strong points and limitations of their organisation are, and money is not everything here.

A competitive fixed salary and variable incentives reflecting the own and own team's results are a rather hygienic (to put it in Herzberg's words) than motivating factor as to the talented. That is, paying them better will not retain them,

but paying below their expectations may accelerate their departure. Economic counteroffers are always a bad precedent, the more so if the economic side is not the true reason for the willingness to leave. Nevertheless, the idea of engaging talented employees by giving them company shares has not had the desired effect to retain them nor has it kept at bay their demand of a salary that reflects their condition as a «special» element – after all, they prefer to earn for what they are able to control more directly than through products subject to other market variables.

Their interest for training and development has caused companies – some of them many years ago – to start numerous initiatives to cultivate and foster especially managing talent of their high potentials. Corporate universities of multinationals, assessment centres, specific programmes within and outside the company, often in collaboration with the best international business schools and high potentials committees are such initiatives.

Such programmes that deepen into knowledge and aim at improving the skills of their participants include an internal rotation plan that, apart from allowing them to better know their organisation, poses more demanding challenges, one of the true drivers to avoid that talented employees and managers become disappointed. This requires highly customised career plans that, if forecasts come true, will eventually lead to management succession plans, that is, they will become part of the senior management of the future organisation. In this respect, given the high number of family businesses in our country, it is worth mentioning that unless the generation change is managed in an exemplary way at the top, it hardly will occur in lower hierarchical layers, which will often lead to entrepreneurial talent drain as the entrepreneur comes into age and their position is perpetuated.

One aspect strengthening most the feeling of belonging to the organisation is coaching, either specialised to help someone mature as a manager and as a person or by mentoring, as if a

senior manager took them through the successive challenges to take on. However, neither one nor the other are a guarantee of success without a good relationship between the high potential and their direct boss in the hierarchy.

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After all, this is the main demand by the talented to stay at their company; otherwise, oblivion, lack of communication, recognition and participation, lack of control or excessive patronising,

indifference towards their ideas, not listening to them and distress caused by all this with the individual or the immediate working atmosphere are the main reasons for them to leave.

So it turns out that despite all planning, marketing and research efforts, despite anticipatory and flexible human resource policies and despite more sophisticated and expensive management instruments, it will be the adequate use of management tools such as 360° feedback, performance appraisal or similar ones and especially accurate care of managing competencies in the whole command line that will become the best strategy to retain talent at the company. Having excellent minds is not only a human resource issue but also one of all senior management.

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