The Seven Tall Tales of Talent Management

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Executive Summary

It has never been more critical to evaluate talent management through a sharp eye and a critical lens. Whether your organization manufactures products, provides call center services, drives R&D, serves food, or harvests produce, your key competitive differentiator remains the selection, development and deployment of human capital.

As the economy moves toward a tepid uplift, the more prepared organizations have remained flexible, creative, responsive, and have not lost sight of the importance of talent management. In fact, they are evaluating existing talent management strategies and activating new or enhanced talent management programs.

Nearly 40% of companies are in the intermediate stage of implementing an overall talent management strategy, and more than 38% are still in the novice stage, according to research and advisory firm Bersin and Associates. A full 30% of US companies have a dedicated talent management executive, up from 21% in 2008.¹

The past year refutes much of what we accept as reality in the talent management arena. Behind that lack of reality are many myths and outdated truths.

Aon Hewitt talent experts have identified the most widespread and potentially dangerous of these “worst practice” catalysts. We call them the “Seven Tall Tales of Talent Management.”

One: Shifting demographics will create a global talent void.
Two: There are no good organically grown HR leaders.
Three: Performance evaluations are the only way to measure talent.
Four: Reverse mentoring is a crazy idea.
Five: Leaders cannot impact climates of innovation.
Six: Talent assessments have plateaued.
Seven: In the current economy, people are fortunate to have jobs...talent is always available.

We will debunk these myths one by one, using research and real-life examples.
One: Shifting Demographics Will Create a Global Talent Void.

Each decade has its own self-generated phenomena of “panic” (think Y2K), whether real, fabricated, or created to generate business activity. In the 1980s, there was significant research on reducing hierarchy, flattening organizations, and building TQM initiatives. During the 1990s, technology inadequacy was the big issue, resulting in many companies updating their ERP systems and business processes. In the late 1990s and early 2000, the census results and an increase in early retirements led to a hysteria in many industries of “we won’t have enough people.”

Many consulting and research firms wrote white papers and highlighted their hypotheses. Concern over future talent pools and retention ran rampant. Conference keynotes featured experts on maturing workforce and talent void solutions.

Reality: Expand and Contract, It’s More Than a Waist Size!

Research challenges the assertion that the US economy will see a dearth of required talent. Noted Wharton researcher and professor Dr. Peter Cappelli has studied this hypothesis extensively. He, along with other researchers, dispels the belief that we are facing an actual labor shortage and that the world economy will have an insufficient number of workers to meet demand. Fast Company posits that a myopic focus on the maturing workforce underestimates the capability of the younger generations.

The United States’ gross domestic product is six times larger than it was at the end of World War II, yet the labor force is only twice as large. This means we have made monumental strides in productivity with fewer people.

There also are ongoing job variance gaps based on the perception of job market trends. For example, in the 1990s, there was an increased need for IT skilled labor to support large complex global implementations. We can make interesting present-day market demand comparisons. For example, the gulf oil tragedy and evaluation of our energy policies may lead to acceleration of nuclear power, resulting in an increased need for nuclear engineers. A study conducted by the American Nuclear Society has shown that the supply of new nuclear engineers over the next half decade will be far short of demand.

Two factors may have spurred the inadequate labor pool myth:

1. Projection of annual growth rates
2. Employer-sponsored talent demand surveys

Labor shortfalls tied to anticipated industry growth typically disappear once productivity is factored. Employer-sponsored surveys also reveal a desire to hire, yet other market demands such as market wage, relocation costs, and hiring policies do not reflect a labor shortage.
Gaps in certain occupations will trigger increased mobility, training and development, and other forms of educational intervention. In some instances, there will be a concerted effort to retool and reeducate workers to support future occupations. However, this does not mean that there will be an insufficient pool.

Lastly, with the recent downturn turning some nest eggs into little more than nests, just over half of all working adults ages 50-64 say they may delay retirement, and another 16% say they never expect to stop working. This desire to delay retirement appears to be driven in part by the current recession, but it also aligns with longer-term labor market trends.

The number of people working past age 65 has increased from 12.9% in 2000 to 16.8% in 2008.6

Two: There Are No Good Organically Grown HR Leaders.

Historically, the HR department managed the functions that no one else wanted or could perform. From recruiting, to orienting new employees, to writing job descriptions, to tracking attendance, to instituting and monitoring policies and benefits, an HR “generalist” was needed to assist senior management in both establishing a structure and holding down administration costs. Changing titles from Personnel Manager to HR Manager to People Manager to Talent Officer doesn’t change what organizations need from professionals in these roles—vision, drive, data-driven insight, and excellent execution skills—in short transformational leadership.

Professor, author, and management consultant Dave Ulrich notes that the HR executive role has taken on new and strategic meaning. His message is that “HR must give value or give notice.”7

Reality: Leading the Charge to Drive Results!

There has never been a more exciting time to advance the HR profession and brand while seeking the valued seat at the proverbial “C” suite table. The HR profession has evolved from the early relationship between master craftsperson and apprentice to the modern world of workforce optimization, with technology-based learning, benefit and retirement planning, and investment portfolio management. HR has come of age and clearly deserves its executive committee membership.

Yet the belief persists that for top HR roles, organizations need to bring in someone from outside HR to run it. HR leaders are viewed as incapable of bringing innovation to HR or lacking the competencies to drive decisions and organizational change. This is neither best practice, nor commonly practiced. A recent study by Dr. Peter Cappelli found that the “typical” HR leader had more than 15 years of functional HR experience. Although some organizations may transition leaders from different functional areas (e.g. Finance), it is not the norm.8 Another example of transformational leadership can be found at Hewlett-Packard. Its HR executives, under the leadership of Marcela Perez De Alonso, have partnered with HP’s engineers to develop a tool called HP HR Optimization Model or HROM. This integrated solution was designed to mirror HP’s global growth, with a focus on extracting and interpreting data to provide snapshots of productivity, cost, engagement, and workforce development over time. The model is more than a tool; it is an enabler to “speaking the necessary business language.”9
HR practitioners who add business value to the equation are at an advantage, but they don’t have to work for behemoth organizations to implement cutting-edge processes and technology that advance the business.

Some HR organizations have gone through the process of fundamentally re-purposing what they do, but little has been shared on which design options will help them most effectively achieve strategic goals. Of increasing importance to organizations is their ability to accelerate their strategic objectives as they emerge from the recession. Through the talent assessment process, HR may find some critical competencies lacking to support this acceleration and in some cases choose to reskill, redeploy, and/or replace talent.

Three: Performance Evaluations Are the Only Way to Measure Talent.

There is a long history of how corporations have evaluated performance. With roots in the military, corporate America has adopted and refined the “annual performance” evaluation. Although a staple of most global organizations, managers often cite performance evaluations as one of the most challenging aspects of their jobs—with the top-down annual review often viewed as the only way to measure talent.

Our efforts to “flatten” organizations and implement matrix and hybrid solutions have created complex reporting relationships, yet our performance evaluation process has remained “one employee/one supervisor.” Newer entries into the workforce are also demanding more “in-the-moment” feedback; the construct of “annual performance” feedback is ready for a redesign.

Our responsibility is to design and develop talent objectives that align with our business objectives. Remember that proverbial seat at the C-suite table we all covet?

Reality: It’s Not the Tool, It’s the Talent

Research shows that over 85% of both managers and employees dislike the performance review process. Getting behind the psychology of this resistance and resolving the conflict can enhance the quality of the process, improve employee engagement, and reinforce positive and constructive feedback.

We can’t look at performance management in a vacuum. If applied effectively, it becomes a critical component of an overall integrated talent management strategy. The talent processes of recruitment, selection, development, and evaluation are grounded in competencies. As we emerge from the recession, companies are scanning and evaluating their existing and potential talent pools. Some of the most common pitfalls include:

- Creating a process that is solely driven by forms and technology
- Setting overly ambiguous goals
- Too much focus on measurements versus qualitative variables
- Providing feedback only on an annual basis
There also is a lack of recognition of group/team-oriented goals. Very few jobs in this economy require solely individual performance. The majority of work involves complex, fluid teamwork. Although much research has been conducted on individual performance, the challenge of measuring group performance lies in the ability to evaluate the individual’s contribution to the group effort. Dr. Manuel London’s research has found significant advancement in processes and tools to assess group performance, as well as individuals within the group. He has established recommended guidelines for practice.¹¹

**Four: Reverse Mentoring is a Crazy Idea.**

With a workforce that now spans four generations, much research has been conducted on what drives performance and employee engagement. We have exhaustively looked at migratory patterns, what each group values, how each group prefers to work and learn, and communication preferences. We have placed more emphasis on differences than similarities and devised talent management strategies that hopefully cater to the specific generations.

Acceptance of the traditional mentoring relationship has seen gains, yet the construct of “reverse mentoring” is fairly new. By definition, reverse mentoring is done by junior colleagues to support more senior colleagues in learning new skills, usually in the field of information technology, computing, and Internet communications. At Unilever, for example, junior employees teach seasoned colleagues the ABCs of the digital workforce.

**Reality: Passing the Torch of Experience**

Mentoring in general has proven to be a differentiator by forward-thinking companies. In a recent study conducted by the American Society for Training and Development (ASTD) and IBM, researchers concluded that there was a desire for cross-generational mentoring. Although the study focused primarily on senior knowledge transfer to junior colleagues, there was an implied advantage of open communication among the generations.¹²

The ultimate goal is to enhance the relationships between—and within—the generations. Reverse mentoring is a more recent concept generally credited to Jack Welch, former CEO of General Electric, who used this method to increase Internet expertise among his top managers.¹³

Professor Corbette Doyle, a long-time advocate of mentoring, writes that mentoring is not a one-way street but one in which mutual growth opportunities originate.¹⁴

In a mentoring relationship, unlike in a formal manager/subordinate relationship, there are no defined requirements. However, defining clear objectives and establishing boundaries and timelines will help set expectations for both mentor and mentee.
Five: Leaders Cannot Impact Climates of Innovation.

With a focus on short-term quarterly earnings, leaders can be challenged to demonstrate leadership skills beyond the transactional requirements of the job. There is much talk about the importance of innovation, but there is also debate over the role and impact a leader has on innovation. What are the leadership competencies that drive innovation and results? With confidence shaken in the market, how can leaders develop their skills and increase their impact?

Reality: It’s More than Turning on a Light Bulb. Big Issues Require Big Action!

IBM’s 2010 CEO Survey of 1,500 Global CEOs found that the escalation of “complexity” is the biggest challenge confronting CEOs, while “creativity” is the single most important leadership quality for enterprises that are seeking a path through this complexity.15

Research of HR executives and leadership is consistent with those findings. In an ASTD/IBM study of CEOs and Chief Learning Officers on their perceptions of the strategic value of learning, both CEOs and CLOs perceive HR/learning as providing value by implementing strategic solutions, improving importance, and developing leaders.16 In a study at George Washington University of 167 professionals in 25 global teams in a “Big Six” financial consulting firm, the findings showed a direct correlation between visionary and transformational leadership skills, climates of innovation, and perceived team performance. Teams with higher performance evaluated their leaders more positively in the areas of innovation and leadership skills.17

Additional proof that leaders can truly influence outcomes, take risks, and create climates of innovation is found in the recent Harvard Business Review article on Howard Schultz, CEO of Starbucks. Since his return as CEO in 2008, he has made some difficult decisions, including taking 10,000 store managers to New Orleans, shutting down stores for three and half hours of training, and maintaining health care programs when other companies were slashing benefits.18

Six: Talent Assessments Have Plateaued.

There is an inverse relationship between reducing people and infrastructure costs and the need for leadership. Plus, the economic downturn has driven down the demand for talent assessment and talent strategy.

Reality: De-Risk, Reap, and Reward

Complex situations require strong leaders to motivate and inspire. Leadership shortages threaten the very existence of organizations. If you want to successfully reduce risk, you must assess whether you are engaging employees.19

Aon’s 2009 Benefits and Talent Survey found that the need for strong leadership was a key finding, but respondents self-reported that they were not doing enough to improve their bench strength. The need for talent assessments has never been greater.20
Assessment programs can include the following methods. Most companies do not employ all of them, but chose the ones that align to their business goals and priorities, cultural norms, applicability to other components of the talent strategy, and financial investment/return.

1. Performance Evaluations
2. Psychometric Tests
3. 360-Degree Feedback Surveys
4. Employee Engagement Scores
5. Trait-Based Assessments
6. Talent Interviews

**Seven: In the Current Economy, People are Fortunate to Have Jobs…Talent is Always Available.**

_They’re lucky to have a job!”_ How often have we heard people say that in this economy, particularly our leaders? If employers only knew the truth: the best people always have options.

Recruiters report seeing signs of unrest in the marketplace. The *LA Times* recently noted a Conference Board survey showing that job satisfaction for American workers was 45% in 2009, the lowest level in more than 20 years. Most employees feel that their employers have done a poor job managing through the recession. Downsizing, pay cuts, hiring freezes, and a generally thankless work environment have all combined to create the least loyal and least engaged workforce in history.

**Reality: Hubris + Hyperbole = An Unhealthy Approach**

In her book *Top Talent: Keeping Performance Up When Business is Down*, Dr. Sylvia Hewlett presents new data detailing what has happened to top talent in this brutal downturn. Poorly treated and overworked professionals are taking an “I have to look out for me” approach to their careers.

As the employment market improves, these high performers will have the first opportunities. Therefore, talent retention will become a top concern for employers in 2011. According to a recent study by CareerBuilder, 40% of companies polled are concerned about their top workers leaving. A Manpower study seems to confirm employer fears: 60% of employees polled said that they intend to leave their current jobs when economic conditions improve, and 21% are already networking with potential employers.

Executives and managers routinely say that they must do more with less. This recession is accelerating the evolution of alternative business models. In response, some companies are placing greater emphasis on their core strengths and have completed multiple rounds of layoffs. While difficult, and often painful, layoffs distinguish the high-potential employees from the rest of the crowd. Surviving layoffs may rationally drive staff to work, but rarely does it inspire excellence or drive long-term motivation.
Summary: Assessing Myth and Reality

The necessary evolution of business models, combined with navigating the current recession and employees’ changing attitudes toward work, represent a complex equation for leaders at all levels. That, coupled with “generally accepted” assertions that are untested, outdated, or purely anecdotal, presents a maze of options for HR leaders as they evaluate critical decisions for their organizations. Hopefully this exercise of debunking commonly accepted myths has inspired critical thinking to help you evaluate your own approach to talent management.

References


About Aon Hewitt

Aon Hewitt is the global leader in human capital consulting and outsourcing solutions. The company partners with organizations to solve their most complex benefits, talent and related financial challenges, and improve business performance. Aon Hewitt designs, implements, communicates and administers a wide range of human capital, retirement, investment management, health care, compensation and talent management strategies. With more than 29,000 professionals in 90 countries, Aon Hewitt makes the world a better place to work for clients and their employees.

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