

A chief HR officer's perspective on talent management

Talent
management

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Abstract

Purpose – The HR function has been through a palette of names and identities, with talent management or human capital management being one more. There is a lack of consistency in the way that HR practitioners think about talent management and this is often the cause of credibility issues with business colleagues. The purpose of this paper is to identify core beliefs that underpin the practice of talent management if the function is to build credibility.

Design/methodology/approach – The paper identifies five core beliefs that should structure a discussion around, and underpin, the practice of talent management: notions of human capital management; questions about whether talent is generic or not; distinctions between talent management and HRM; decisions about who makes decisions about talent management; and moments of truth. It uses the case setting of Maersk to illustrate these beliefs and position the preferred conduct of talent management against them.

Findings – Organizations make distinctions between where good (not average) is “good enough” and where they need world-class talent to drive true competitive advantage. This capability perspective results in three different clusters of effort in terms of talent management. They manage investments so that they do not over-invest in less critical capabilities but can marshal scarce resources in areas where they need to be world class.

Practical implications – What is defined as talent in one setting might not be so in others. Strategies define capabilities and capabilities define talent. Attention must be given to all the other processes that support the deployment of talent to build specific organizational capabilities. As talent decisions are made by business leaders there needs to be a common mindset and decision-making logic for them to use. The 9 Box model is one such logic. Adopting any decision logic does not denote the outcome, rather it is how companies use the tool that determines the output.

Originality/value – The paper positions talent management within the strategic management discipline of business models and analysis of how organizations need to compete. It uses an industrial setting and professional experience base to link talent management to the wider management of organizational capabilities.

Keywords Talent management, Organizational capability, Human capital management, Decision-making logics

Paper type Research paper

Talent management is a hot topic within HR – and has been for many years. But this brings with it the risk of ending up meaning “everything and nothing” and becoming just an umbrella term for a loose collection of practices, tools, and frameworks.

Boudreau and Rice (2015) capture the tendency of HR to chase after “Bright, shiny objects”, becoming enamored with practices that are superficially attractive and seductive while paying insufficient regard to their actual value to our businesses.

What are the fundamental truths that we can believe in? Unfortunately, HR keeps rediscovering them rather than acknowledging and applying them consistently. This lack of consistency is often the cause of credibility issues with business colleagues.

From my experience of practising talent management in several large international companies, here are a few core beliefs:

- (1) Human capital management is a compelling concept – if applied thoughtfully.
- (2) Talent is not generic.

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- (3) Talent management is not the same as people management.
- (4) Talent decisions are made by business leaders, not by HR.
- (5) HR’s “Moment of Truth” – who gets the job?

The paper now discusses each of these beliefs.

Defining human capital management

What is in a name? HR changes its name often. Employee relations, personnel management, human resource management, human capital management – the function has been through the whole palette of names and identities. It is no surprise that business leaders have become sceptical of what HR has to add.

Human capital management really does add to our understanding of how we can help our businesses win. A comparison between the roles of the CHRO and CFO (Charan *et al.*, 2015) provides a good analogue for understanding how HR can contribute to business success.

In the world of finance, capital is seen as a constrained and precious resource, to the extent that it is defined and tracked separately from other forms of finance. The core belief is that the thoughtful investment of capital across a range of opportunities, carefully balancing risks and rewards, leads to competitive advantage. For HR, our form of capital is talent. If we truly understand the value of talent, invest it thoughtfully in our businesses and do that better than our competitors, we will drive competitive advantage.

The main challenges for CHROs are therefore, “Are we building talent-enabled companies? Do we have the talent and the organisational capabilities to enable whichever strategy our business chooses to pursue?”

Talent is not generic

Talent is not generic – what is defined as talent in one setting might not be so in others. The real question is “Talent for what?” – talent is defined by business strategies and the specific capabilities they require. It is not just a question of having good people – that helps but it is not sufficient. Rather, the focus of talent management is about having “people who are really good at whatever your company needs to be really good at in order to win”. Strategies define capabilities and capabilities define talent.

During my tenure as Chief HR Officer at A.P. Møller Mærsk, we developed this simple framework. Business strategy defines the capabilities needed to win. Those capabilities drive the definition of talent and the decisions about how it is deployed organizationally. All other processes support the deployment of talent to build capabilities (Figure 1).

Clarity of the business strategy is fundamental to this framework.

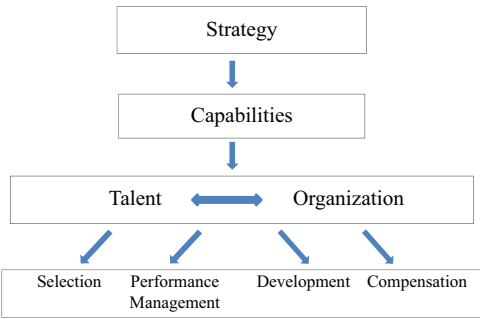


Figure 1.
APMM strategic
talent model

For example, Maersk Line pursued a strategy of cost leadership. In this business, the vast majority of costs were driven by the network design – choices such as which ships to deploy on which routes, how fast they sailed (bunker fuel is expensive), which ports they served and in which sequence. Network design was identified as a critical capability and network designers (relatively few in number but critical in their impact) became a key talent segment. We asked ourselves, where is good (not average) “good enough” and where does world-class talent drive true competitive advantage?

Broadly speaking, we look at three clusters of capabilities. All three are important, but each requires different efforts (Table I).

If strategy calls for a certain set of critical capabilities in order to win, talent in these areas needs to be world class. Over investing in areas where “Good is good enough” does not help you win, particularly if it distracts you from focusing on talent in critical capabilities.

Maersk had a diverse range of businesses within the Group. The strategy varied from business to business – therefore, so did the capability requirements and talent needs. The approach was the same, but the answers varied significantly. Therefore, the role of the conglomerate was to create decision frameworks that business unit leaders could use to define their path to success within their own industries. There were multiple strategies and definitions of critical talent across the business units, but all were grounded in the same thought process.

Talent management is not the same as people management

People management is about “the deal” that every employee can expect. All employees deserve to know what is expected of them, have a good boss, receive the training needed to perform, and have a healthy working environment, to be paid fairly in line with their contribution and to know how they can develop. Each company needs to have a strong foundation of people management practices for all employees.

These practices contribute to effective talent management too, but they are not sufficient. Talent management places an additional focus on the relatively few people who make a disproportionate impact on the success of the company. It requires individualized and customized solutions. It is a different, more demanding deal – high hopes and higher expectations to match the increased investment made in them. Individuals identified as having the potential to be top talents need to consider carefully whether “high hopes, higher expectations” is for them.

Talent decisions are made by business leaders, not by HR

Talent decisions are made by business leaders. So, there needs to be a common mindset and decision-making logic for them to use. As Boudreau and Rice (2015) point out, in Finance, the decision logic is well developed across companies and even industries. Often within HR, it is not consistent, even between different parts of the same business.

Capability	Human capital decision	Rationale
Needs to be done well, but not necessarily internally	Outsource	This does not add to competitive advantage – we accept industry standard
Important, and important that we do it ourselves	Good is good enough	Do it well but do not over engineer. Most companies over-invest in these capabilities
Needs to be world class	Critical focus for talent management	Focus talent management efforts mostly on these capabilities. They define the source of competitive advantage

Table I.
Three clusters of
talent management
capability

If talent decisions are made by business leaders, not by HR, this raises the question, “What is our role as HR executives?” It is to provide decision frameworks and a common logic across the business and work with leaders to apply them. Such frameworks need to be simple, intuitive and drive decision making, not commentary – and business leaders should be able to use them without needing a PhD by their side. If this is the case, one can rightly hold leaders just as accountable for their people decisions as for their financial decisions. The CHRO retains personal accountability for the overall quality of decisions about people and capabilities within the business.

A good example of a powerful decision-making framework is the widely used “Talent 9 Box” (see Figure 2), which pulls together most of the important talent decisions for business leaders – performance calibration, development planning, short- and long-term compensation, succession planning, and so on. Although widely used among businesses, companies achieve very different results. Merely adopting the framework does not denote the outcome, rather it is how companies use the tool that determines the output. Consistent, disciplined application across cycles drives success and chasing after the latest “Bright, shiny objects” instead does not.

HR’s “Moment of Truth” – who gets the job?

During a highly successful first tenure as CEO, A.G. Laffley focused Procter and Gamble (the whole company) on two Moments of Truth – when customers came face to face with a product on a store shelf and when the product was used at home. HR’s Moment of Truth is the decision about “Who gets the Job?” One of the real HR thought leaders, Dr Bob Eichinger, called this capability “Assignmentology,” and it is the point at which all of our expertise comes together to impact a business significantly. Is the selection meeting the competitive and capability needs of the business? Do we understand the business deeply enough to know? Are we providing our top talents with new and stretching experiences, so they will grow in the process? And, since people decisions are made by business leaders, not by HR, do we have the influencing and alignment skills to help our leaders make high-quality decisions? Just as a CFO is expected to be thoughtful about decisions of where to deploy financial capital, a CHRO is expected to be just as judicious about where to deploy talent in the organization.

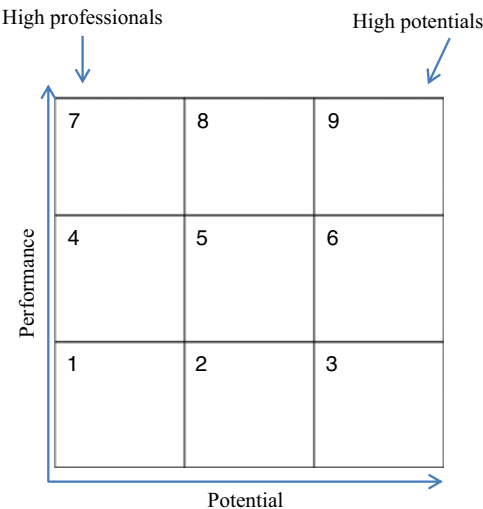


Figure 2.
Talent 9 Box

The 70/20/10-model of Learning and Development is tried and tested. In all, 70 percent of learning comes from challenging assignments, 20 percent in learning from others and 10 percent from formal training. It makes sense to leaders and it is simple and intuitive – but it is striking how many companies acknowledge the model and then do the exact opposite in building their people strategies.

Conclusion: looking forward

The five beliefs I have discussed have stood the test of time and I have relied upon them throughout my career. Without doubt, technology is fundamentally changing many of our business models and how we need to compete. We need to be both intellectually curious and healthy skeptics at the same time. More than ever, senior leaders (including CHROs) need the gift of perspective – to discern the real game changers and avoid chasing after those “Bright shiny objects.”

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