

HR's Role in Talent Management and Driving Business Results

Cheryl Farley

Business leaders are asking for more from everyone in their organizations. They want increased revenue and productivity. They need to reduce costs and drive real value to the shareholders. They expect that employees will be accountable, focus on customers, and adapt to change. Finally, they want more from HR, to be assured that the current leadership has the right skills to lead the business and that future leaders are being developed.

The challenging business climate of the last several years requires that HR have an in-depth understanding of how people are key drivers of profit and success and the ability to manage talent to attain business goals. However, because HR functions in the past have focused on transactional operations, rather than driving business performance through people, business leaders are skeptical that they can get what they need from HR. Thus, HR is put into the difficult position in many organizations of having a strong mandate without the credibility (or sometimes the skills) to fulfill it. This article describes how HR can have a positive impact on business results through effective talent management.

TRANSLATING CORPORATE GOALS INTO WORKFORCE NEEDS

Talent management includes all talent processes needed to optimize people within an

organization: performance management, succession planning/decision analytics, targeted selection/talent reviews, development planning and support, career development, workforce planning, and recruiting. However, before you can optimize your talent processes, you must make the link between people and profits and begin translating business goals into workforce needs. Based on that shift, you can link your HR strategy and processes to business results and give leadership the numbers to support your summaries or projections. **Exhibit 1** depicts the steps you can take to link people to business success.

Clearly defined business goals and objectives provide the critical building blocks for effective workforce planning and talent management. They are the anchors of the talent-management strategy in the organization and serve as the guidelines for the programs and tactics used to achieve success through people. Certainly, goals and objectives change throughout the year as the business climate changes and the company reacts to results, but effective talent management drives alignment throughout the organization.

Once these goals and objectives are articulated and communicated, HR should work with business leaders to translate them into the competencies (skills, knowledge, and abilities) that will drive the business and the talent-management strategies that will attract, retain, and develop the talent needed

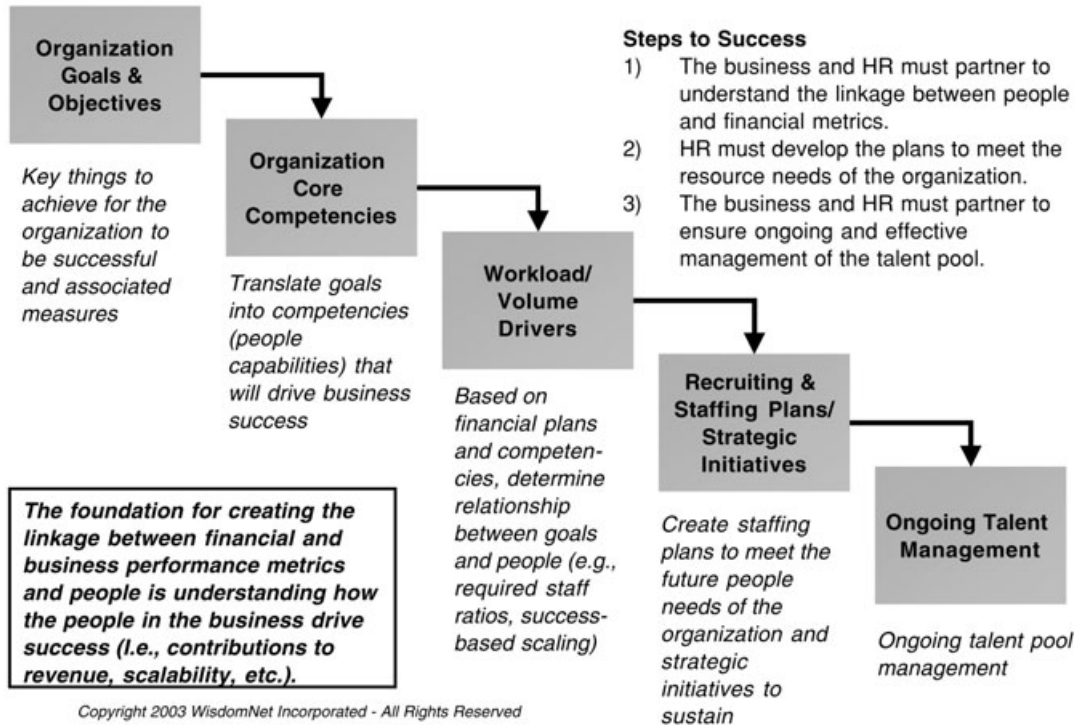


Exhibit 1. Translating Corporate Goals into Resource Requirements

to achieve business goals. For example, a business goal of acquiring new customers may require an investment in talent that can prospect, build relationships, close deals, and profitably manage customer accounts. The organization would consequently need to understand how much of that talent it already has and how much it needs to achieve its goals.

This leads to the concepts of workload and volume drivers. These drivers are business needs that will dictate the types and number of resources a business will require to achieve its goals. For example, if top management has determined that revenue goals must increase by a specific percentage, not only must HR managers show how sales skills are linked to the increased revenue goals, but they must also be able to work with other

business leaders to understand *how many* sales reps are needed to generate specific revenue levels and *the skill level* required to meet the needs of the particular customers and markets that your business serves. If a company has a business goal that cannot be supported by the competencies or volume of resources in the existing organization, HR can assist in developing staffing plans and strategic initiatives to acquire or develop the mix of resources required to meet the volume and content of work.

MAKING THE PEOPLE-PROFIT LINK

One of the most elusive areas of HR remains the tangible linkage between people and profit. It is a challenge to demonstrate this linkage in a way that business leaders under-

stand and support. To begin, you will need to address a number of fundamental business questions:

- How does your business really make money?
- How do people affect the business's ability to make money (positively or negatively)?
- How is this different from your competitors?
- Who in the organization has a direct impact on revenue?
- What are the key things your organization can do to surpass competitors and increase profits?
- How do people support or hinder those things?
- What changes must your organization make to be successful in the future?
- What role do people play in these changes?

Once these questions have been addressed, organizations can translate the answers into numbers that will lead to outcomes measurements or business metrics. For example, if one of the key things your organization can do to surpass competitors and increase profits is to expand your service offerings by developing a new product line, you can work with the business leaders to understand the process for developing that product line. From that information, you would translate the business goals into competencies and a workload projection, and later into a staffing and development plan with projected resource requirements and action plans to achieve those. After developing those action plans, it is important to define success metrics, monitor your progress against them, and provide data to leadership to keep them apprised of the status of all the above.

Historically, HR metrics have been "fuzzy" and have not supported the value of HR services. Shifting focus from activity-based HR metrics (such as number of training hours, number of hires against plan, etc.) to value metrics is critical to communicate the success of effective talent management. Metrics could include revenue per employee (one of the most simplistic measures), cost per hire versus turnover, and return on investment (ROI) with regard to people programs. As the organization matures, more complex financial models can measure the effectiveness of staffing, development, and productivity. The key is to tie HR strategies and actions to real business results.

Just as with other business functions, HR must be willing to be accountable for achieving results from its investments. For example, when HR leaders say that a given program is

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going to increase retention, they have to be able to point to what budget line that impacts and what the reduction will be. Often, this is where HR leaders start adding all of the qualifiers and talking about how it is difficult to make a concrete link between HR programs and performance metrics. But until HR is willing to make that link and be held accountable if they fail to achieve the results, the function will always have a credibility problem with business leaders.

EXAMPLE OF LINKING TALENT TO REVENUE POTENTIAL

To illustrate the value of linking talent to the business, we can examine one WisdomNet client example. A national insurance provider

was seeking to take its business to the next level by significantly increasing its overall revenue, entering new markets, expanding business with existing clients, and dramatically improving customer satisfaction.

Although the organization understood that people were going to be key to this, managers didn't know how much investment it would take in people to achieve these goals and what the return would be. Management also wanted to understand in real terms what the drivers of business success were from a people perspective.

Once the business assessment was completed, we assisted the client in developing staffing, training, and people investment plans. These plans supported the desired revenue growth, and the performance against these plans became a leading indicator of the company's ability to meet revenue targets. This required understanding in detail how the sales process worked and what realistic

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increases in productivity could be expected by increasing headcount or making an investment in development. It also required understanding how the activity of the sales organization flowed back through the rest of the company, and what support was required to actually acquire and service a new account. By anchoring the model on the value (in dollars) one sales vice president brings to the company, the costs associated with the addition of this resource/function (recruiting costs, additional support staff/overhead, and onboarding time and resources required), along with other key metrics, the company was able to quantify the cost of potential pro-

ductivity increases and what it would take to achieve the new goals. Human resources was able to optimize talent processes to meet the requests of the business.

As HR begins to link the business strategy to talent functions, there are a few key things to remember:

- Evaluate the tangible ROI associated with your people.
- Be clear and objective when defining the value of talent.
- Communicate messages that are relevant to leadership in terms they understand.
- Be flexible—business direction and objectives are always changing.

These are critical to true business partnership and driving business results.

MANAGING TALENT PROCESSES

Dave Ulrich once said, "Transactional excellence is the price of admission." Many HR organizations have focused on optimizing transactional processes over the past several years, and this optimization will prove beneficial for future needs. But transactional excellence is not sufficient to make HR a business partner. Although transactional improvements may have gotten you in the leadership door, it will not be enough to keep you there. So you may ask, "What's next?"

Certainly, the kinds of linkages discussed above are a critical next step to maintaining a place at the strategic table. As you link your people and profits, you will begin to recognize the impact of business directions on your talent processes. Human resources organizations typically own these processes with the support of business leaders. Again, these include:

- Performance management,
- Succession planning/decision analytics,
- Targeted selection and talent reviews,
- Development planning/support (including learning management),
- Career development,
- Workforce planning, and
- Recruiting.

Effective management of these processes in partnership with line managers is where the proverbial rubber meets the road. It is not sufficient to design best practice processes in each of these areas, only to have an organization with no capability to implement them. Day to day, HR must be a driver of talent management excellence throughout the company. That doesn't mean that HR actually *does* the process, but HR must be an effective trainer, coach, and facilitator for line managers to ensure that talent-management excellence is a core part of how the organization does business.

To do this, HR must stop looking at these processes as discrete. Each of these processes is highly interrelated from a standpoint of data required to make appropriate decisions, investment required to make them effective, and the people that need to be involved in the process. The best talent-management decisions are made when leaders have a wealth of data on talent in the organization—who its people are, what they can do, how well they do it now, what options are available to help them do it better, and a host of other data points. This is what business leaders do at its core; analyze data to make decisions. From a talent-management perspective, this is often enabled by technology, and there is a relatively new class of software out there that is helping make these decisions more effective. But

technology is not an *absolute* requirement. HR can be effective facilitators of robust talent-management decisions and can provide much of the organization perspective needed to help the business make the right talent choices.

A critical success factor for managing talent processes is ensuring HR operational and process excellence. Human resources should not only demonstrate process excellence within the function (for example, recruiting), but also enable the organization to achieve it. By providing tools and services such as self-service tools or other technology, HR can lead by example. However, HR should not only demonstrate process excellence, but also be able to measure it and improve it over time. In addition, these measurements should be able to stand up to comparisons in

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the industry and with best practice organizations. This means taking transactional excellence a step farther. HR must have deep competency in business process and help drive the organization to higher levels of excellence in this respect. It also means that HR must help the organization acquire the necessary skills and discipline to improve processes across the enterprise. Although this has not traditionally been a role for HR, organizations that have stepped into this area have seen outstanding results and new levels of business partnership.

TECHNOLOGY SUPPORT

Managing talent processes and measuring success are very difficult without data and pow-

erful systems. In most functions across an organization, technology is integral to the operations. Therefore, those functions are more successful in obtaining support for technology investments. Human resource organizations should focus on implementing and utilizing technology to support operations, drive efficiency, and report business improvement.

In most organizations today, information to effectively manage talent is stored across many different systems. And in many cases, it is not stored electronically at all. Basic employee data is found in most HRIS systems. Data you might find includes compensation, title, tenure, and supervisor/reporting relationships. Some organizations may have learning-management systems that host data such as skills profiles, training history, and certifications. In some cases, an organization may have performance-management data stored in a separate system. Other data, including résumés, career goals, performance

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information, and staffing, may reside on the employee's or manager's personal computers. Making a very basic decision such as what resources the organization has to fill a particular opening/need requires drawing on all of these sources of data to help make the right decision. But going to each individual data source can quickly become cumbersome. To make the right decisions, critical talent data should be accessible from one location with the ability to reference that data to make business decisions. For example, if demographic, performance, and skill/competency data are available in one place, a staffing

request can be fulfilled much more quickly and reliably.

WisdomNet's talent-management software, Revexion, provides this type of key access to workforce data that includes how the workforce is being used, identification of gaps, and decision support to facilitate better talent utilization. It also enables the level of process and transactional excellence required to be an effective business partner. One client, for example, is a rapidly growing manufacturing organization focused on health-care markets. This client has found that Revexion has given them a whole new level of insight into the capabilities of the organization, and the CEO has come to rely on Revexion to help him make strategic choices about talent investments. Using some of Revexion's assessment tools, the organization discovered that, for example, it had some critical gaps in management capability and these were affecting retention and productivity. The company was able to quantify the gaps, determine appropriate action plans, and monitor progress using the system.

CONCLUSION

Long gone are the days of transactional HR. The demands to manage talent effectively are placing new emphasis on strategic requirements of the HR function. This requires a shift in thinking and a new level of participation at the executive level. Translating corporate goals into workforce needs, linking people to profit, and effectively managing talent are key to improving business performance. In companies that have learned to master these functions, HR has earned a seat at the executive table, and businesses have reaped the rewards in forms of improved outcomes.

Cheryl Farley is a consulting manager in the Human Capital practice for WisdomNet, Inc. Based in Denver, she works with companies in the areas of talent management, organizational development, change management, and operational improvement. She can be reached at cfarley@wisdomnet.net. Also contributing to this article is Brian Wilkerson, president and CEO of WisdomNet, Inc. Also based in Denver, he can be reached at bwilkerso@wisdomnet.net.