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Edward E. Lawler III
Director
Center for Effective Organizations
University of Southern California

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Edward E. Lawler III and Christopher Worley
Center for Effective Organizations
Marshall School of Business
University of Southern California

The world has changed its opinion concerning what corporations should be held accountable for and how they should perform. Successful financial performance is required of corporations, but it is not enough in the eyes of more and more individuals, governments, and societies. They believe that corporations must do more than produce satisfactory financial results; they must also have a positive impact on people and the environment.

Sustainability initiatives and corporate social responsibility programs are a possible first step toward developing organizations that are able to perform well financially, socially, and environmentally, what we like to call sustainable effectiveness. But for organizations to survive in a rapidly changing global economy that demands high levels of financial, social, and environmental performance, it is not enough to simply launch a series of sustainability initiatives and social responsibility programs. Organizations must develop a comprehensive approach to management that fully integrates sustainable effectiveness into their strategy and operations and that supports agility.

Talent management is arguably the single most important HR activity in a sustainable management organization (SMO). The talent management practices of SMOs must contribute to an organization performing well financially, socially and

environmentally in a rapidly changing world. The following are nine principles and practices that should drive the way talent is managed in SMOs:

1. Use Competencies

The key to creating an SMO talent management approach is to start with the organization's competencies and capabilities. The major focus should be on those that provide a source of competitive advantage in terms of the organization's business strategy and sustainable effectiveness.

The competencies and capabilities an organization strategy calls for need to drive its talent management activities. Managers must develop descriptions of the kinds of skills necessary to establish the important organizational competencies and capabilities.

Once these have been developed, managers then need to determine how prevalent the different skills should be and their most logical combinations. The results of this analysis should be person descriptions that are the foundation for the talent-staffing and development activities of the organization.

2. Use Targeted Talent Management

Traditional organizations tend to have a single approach to how people are treated once they join the organization. Of course, there are differences based on hierarchical level and legal mandates, but fundamentally these differences are driven by the structure of the organization and the needs of certain technical specialties. What is not taken into account is the importance of the work individuals are doing to the performance of the organization – in SMOs, this is a critical issue.

An analysis of the importance of work should lead to individuals being treated differently on the basis of whether their work is pivotal to the organization's success. If the work is such that significant variance in the performance of individuals exists, special attention may need to be paid to these individuals and their jobs. The next step is to identify the impact of the performance variances on organizational effectiveness. It's one thing to know individuals vary greatly in their ability to perform a task; it's another to determine whether this really makes a difference in the performance of an organization. Only when individuals are in jobs that have both performance variation associated with them and a significant impact on the operating results of the company should they be singled out as a "critical contributors." In a sustainable management organization, there is likely to be a large number of individuals who are critical contributors.

3. Don't Be Afraid To Use Contract Labor

Using contract labor is a logical way to operate an SMO that needs skilled labor. Often, contract labor is easily obtained and, as a result, fits very well into situations in which SMOs have changing needs for labor and skills. This approach also makes workforce reductions relatively easy to manage and can be used to react to surges in the need for labor. The key to using contract labor successfully is establishing an employment deal that is attractive to skilled individuals and treats people fairly.

Clearly, the contract labor approach does not fit work that's close to the core competency of the organization and is a critical determinant of the organization's performance. However, it does fit in the support tasks that are relatively low in impact on organizational performance and for which adequate contract labor is available.

4. Outsource Nonpivotal Work

As is the case with contract labor, outsourcing makes sense when the work is not a critical determinant of organizational performance and can be performed adequately by a third party. The big advantage of outsourcing for an SMO is it makes adaptability much easier. Resources deployed to the SMO can be added and subtracted by the outsourcing vendor as the workload changes without the kind of disruptions that would occur if the individuals were full-time regular employees. For many kinds of work (such as seasonal positions), outsourcing to a responsible organization can be more sustainably effective than having the work done by employees.

Outsourcing can also make it easier for an organization to have diverse employment deals. Instead of having individuals inside the organization with many different employment deals, contractors can be used. This reduces the number and complexity of talent management systems that an organization needs, while at the same time enabling it to get work done by the people who have the right kind of employment deals. Outsourcing is not new and radical: traditional firms outsource. What may be new and radical is the amount that is outsourced by an SMO.

5. Create Diverse Employment Deals

Traditional organizations typically don't individualize employment deals because they fear it will lead to too much "complexity" and widespread feelings of unfairness. With an ever-increasing amount of diversity in the workforce (age, national origin, family situation, and so on), it simply doesn't make sense to think of a "one-size-fits-all" deal for employees.

In SMOs, diversity in careers and work arrangements should be standard. A variety of career tracks should exist: one for upwardly mobile executives, one for technical specialists who want a career that is based on being subject matter experts, one that has a balanced career-family orientation and one that is focused on the purpose of the organization.

Career diversity is a very effective response to the large individual differences that exist in the workforce with respect to career objectives, work-life balance preferences and career preferences. Without career diversity, workforce diversity is unlikely to exist; with it, workforce diversity is not only possible, it can be part of an organization's talent competitive advantage.

6. Build a Sustainable Management Employer Brand

To attract the right individuals, organizations need an employer brand that fits their purpose, identity and strategic intent. The major reason for developing an employer brand is to help potential employees make a good decision about whether there's a fit between them and the organization.

A number of organizations have done a good job of this. Abercrombie & Fitch, Starbucks, and in California, In-N-Out Burger have all developed the distinct brand of being a "cool" place to work. Netflix has developed its employer brand by posting a PowerPoint presentation about their employment deal on the Web. Patagonia has done a great job of developing a reputation as a sustainable effectiveness company. As a

result of Patagonia's brand, individuals who care about the natural environment and social issues are attracted to it.

Well-stated deals aid in the recruitment process by reinforcing an organization's value proposition and contributing to a realistic job preview. Each organization needs to fine-tune its employment deal to fit the type of rewards it can offer and the type of skills it needs employees to have. Because of its focus on change, sustainable effectiveness and multiple employment relationships, the employer brand of SMOs is significantly different from those of traditional organizations and needs to be very visible so that individuals know what to expect.

7. Make Career Management the Individual's Responsibility

One of the major differences in how SMOs manage talent concerns is how careers are managed. Traditional organizations typically take a considerable amount of responsibility for the careers of their employees, providing them with coaching, career paths, training and development as needed. In the case of SMOs, career management is not the responsibility of the organization but rather in the responsibility of each individual.

There are a number of reasons why SMOs should not manage the careers of most individuals. Perhaps the major one is the unpredictability of their need for employees and the recognition that rapid technological and environmental change may quickly make any advice, no matter how well intended, obsolete in a short period of time.

What an SMO can and should do is provide business transparency and job trend information to its employees so they can make career decisions based on valid and pertinent data. A number of companies, including IBM and other professional service firms, have developed sophisticated web-based systems that provide job information to employees. Web-based systems can make it possible for internal movement of employees to be dynamic and interactive, and as a result, a positive for both individuals and financial performance.

The willingness of organizations to let individuals make internal moves and workload changes is the last and sometimes most difficult piece that needs to be put in place. It must be in place in order for individuals to reasonably self-manage their careers in SMOs.

8. Make Executives the Primary Talent Managers

The top executives of an SMO need to take primary responsibility for the talent management decisions that are made. Senior executives need to be actively involved in succession planning and work assignment decisions. They must contribute to the design and operation of the talent management systems in the organization and see that they are aligned with the organization's other systems and strategies. This means a lot of their calendar will be filled with talent management issues. Twenty-five percent is not out of line – for some businesses, it may even require significantly more.

The need for senior managers to have good knowledge of human capital in SMOs should be reflected in the kinds of career tracks they follow. Typically, managers in

traditional organizations rotate from function to function as they develop their careers. Unfortunately, in most U.S. organizations, that rotation does not involve spending time in the human resource (HR) function. This is a serious oversight in terms of preparing managers for senior positions in SMOs.

Trying to get by with managers who don't have a good knowledge of human behavior and decision science principles regarding human capital may work in traditional organizations, but won't work in an SMO. Talent decisions, both at the strategy level and at the tactical level, are simply too critical to the sustainable effectiveness of an SMO to be made by poorly educated managers.

9. Give HR a Strategic Role

In many traditional organizations, the human resource function does not play a strategic role, nor is it designed to. It is largely an administrative function that services the needs to employees for fringe benefits, training and a host of support services.

In SMOs, HR does not just need to be at the table when it comes to strategic decision making; it needs to set the table. It needs to bring to the table relevant business data about the talent in the organization so that informed decisions can be made about the feasibility and attractiveness of different business strategies and initiatives. This will only happen if SMOs treat the HR function as equally important to, or in some cases, more important than the other staff groups.

In SMOs, often the best organization design is one that transforms the HR function into an organizational effectiveness staff group. In addition to having responsibility for HR,

the organizational effectiveness function should have responsibility for organization design, change management and strategizing.

Conclusion

For businesses both large and small, it's time for a talent management reset – a rethinking of the way talent management is structured and operates. Organizations need an integrated approach to attraction, selection, development and careers so they can better serve their employees, shareholders and society.

About the Authors

Co-authors of “Management Reset: Organizing for Sustainable Effectiveness” (Jossey-Bass, March 2011), [Edward E. Lawler III](#) and [Christopher G. Worley](#) are major contributors to theory, research and practice in the fields of organization development and design, human resources management and organization effectiveness. A distinguished professor of business at the University of Southern California (USC) Marshall School of Business, Lawler is the founder and director of the University's Center for Effective Organizations (CEO). Worley holds a joint appointment as a research scientist for CEO and as a professor of management at Pepperdine University.