The Emergence of Talent Management

An old idea gets new life.

By Kevin Oakes

"The killer app for the next decade is talent acquisition and retention."
—John Doerr
Kleiner, Perkins, Caufield & Byers

"There is no bigger problem in the global marketplace today than how to obtain, train, and retain knowledge workers."
—Michael Moe
ThinkEquity Partners

THE ABOVE statements are from a couple of heavyweights in the financial community. If these statements get you excited, allow me to temper your enthusiasm—both of these quotes are about seven years old.

In fact, each quote was unfortunately uttered just as the dot-com bubble was about to burst—unfortunate in that each gentleman had significant investment interests that backed up his statements. Since then, the grand visions of a fully integrated set of HR and learning functions have yet to materialize. Although, technically there is still a third of the decade left for Doerr's prediction to come true.

The vision, though, is beginning to come back into focus. The term "talent management" is bandied about a lot these days. For most, it refers to the concept of bringing together—in a unified technology platform—the functions of recruitment, selection and assessment, learning and development, performance management, workforce planning, compensation and (insert other HR-related functions here).

This string of functions often has been referred to as the "employee life cycle," or "cradle-to-grave" employment applications, or the ability to "attain, train, and retain" a workforce. Instead of talent management, other terms that have been loosely used to describe the entire process are "human capital management," "employee relationship management," or "workforce management."

Articles, research reports, and white papers have recently been written about this topic. Vendors are sponsoring webinars on this subject. Investors are (again) investing in the concept. And mergers and acquisitions are being contemplated to capitalize on this vision.

And it's an idea that didn't even originate in this decade.

Why the renewed interest? Two reasons: more technology vendors are proclaiming they can automate the entire process (either through integration of technologies or all-in-one offerings), and more companies are ready to embrace it.

If talent management is going to take off this time, it's the second reason—corporate receptivity—that will be the catalyst.

The reality of silos

It was five years ago when an overly anxious CEO of an HR technology company began pitching to me the idea of combining his company with my company, which at the time was Click2learn, a learning technology company. He was not the first to approach me with the idea, but he was easily the most aggressive. His pitch: "Together, we can be the only provider to offer end-to-end HR and learning products and services in the

attain-train-retain continuum. "LET'S SEIZE THIS OPPORTUNITY NOW, AND DRIVE THE MARKET!!!" is the way he ended one memorable email.

The problem, as I unconvincingly kept describing to him, was that the potential buyers in corporations are in silos. There were very few—if any—companies in the marketplace that were positioned organizationally to take advantage of such a holistic solution. In short, we can preach all we want, but there is no one choir ready to hear our message.

The preaching has begun again in earnest, but this time the choirs are a little more ready to hear the sermon.

"For many years, software vendors have been touting the vision of an integrated human capital management system, yet very few of these integrated solutions have ever truly been available or implemented," says Josh Bersin, founder of Bersin & Associates, a research and consulting firm in the learning field. "Today, however, we believe this application convergence is starting to take place as several technology vendors are scrambling to converge solutions."

In September 2005, Bersin & Associates published an extensive report on this coming convergence. It is probably the most complete recent view of a predicted HR and learning technology union. But, as has always been the case, if the buyers aren't ready, this union won't matter.

"The biggest challenge in this convergence isn't the technology, but the processes and the people," Bersin adds. "For this to take place, HR and learning organizations must work together to create standard processes, competency models, and training programs to make sure that managers are fully ready to use the integrated technology that will eventually be available. The good news is that many companies are beginning to realize that there needs to be better align-

ment between the training and HR departments and functions."

Early adopters

One company that has realized this, and has put some of this into practice, is Aetna. With more than 28,000 employees, Aetna is one of the nation's leaders in health care, dental, pharmacy, group life, disability, and long-term care insurance. Despite its leadership, Aetna was experiencing multiple problems at the beginning of this decade. Numerous service issues, alienated suppliers and customers, and a demoralized workforce were common occurrences for the company at that time.

To combat this, Aetna implemented a corporatewide business process that integrated corporate goal setting, operational goals, individual performance plans, and learning. The integrated approach was put into place to link learning more directly to strategy, thereby allowing for more focused development and a better return on Aetna's learning investment. The integrated approach included identifying the competencies and practices required to achieve the company's business strategy, and then mapping learning content to those competencies. Aetna then built assessment instruments that allowed the workforce to assess their skills against the required competencies. As a result, this approach allowed Aetna to deliver targeted, focused learning to build that competence.

While Aetna merged performance management with learning management, the company plans to link in the remainder of its human capital management functions. This includes leveraging existing systems, such as the company's recruiting platform, and adding compatible career planning, succession planning, and talent inventory functionality.

Aetna credits the ability to effectively link learning and performance management as a big reason for the company's turnaround. However, despite the progress some companies like Aetna are making in this area, converging learning and HR functions like performance management is still very nascent.

"As someone who recently talked to 24 vendors and 27 corporate HR executives in a 45-day span, it is very clear to me that this convergence is at the very early stages of occurring," says Debbie McGrath, CEO and founder of HR.com. "Only early adopters are starting to see the big picture."

One of those early adopters will likely be Cingular, the largest wireless provider in North America.

"Convergence of talent management functions is happening," describes Rob Lauber, executive director of learning services for Cingular Wireless, "but it is driven more by HR leadership at the moment. I see two areas of convergence right now: selection and learning, and performance management and developmental planning. I see more activity in the latter than in the former from a tools and technology perspective, but there are really two ends trying to be achieved: improved retention and shortened time to proficiency."

A shared language

One of the commonalities in each of these applications is the use of competencies as a shared language. Lauber agrees that competencies can be used throughout the talent management chain, but not necessarily at an enterprise level.

"We are seeing it more at a specific job-level competency model," says Lauber. "Given the need for alignment at the job level between selection and learning, the focus is on driving a set of competencies that serve as the basis for understanding what is expected in candidates and what is expected to be learned once they are in their role."

But, like talent management, competency models have not been widely instituted in organizations.

"I am a huge believer of competency models, but the reality is most firms are having a hard time adopting any type of system," says McGrath. "In fact, some of the big guys who lived and breathed competencies, like Xerox, have abandoned them. They need to be simple and integrated to the entire life cycle of the employee. Right now people have different models throughout the organization and once they get too complicated, they lose adoption."

"Competency models have, in the past, been over-engineered and, therefore, complex to manage and maintain," agrees Gordon Bull, director of global people development at Vodafone, the world's largest wireless company. "I think there is merit in defining behavioral competencies that should apply across an organization. These can then be supplemented with functional or job-specific competencies, but without getting overly detailed or complex.

"Used throughout the employment cycle, they can be useful guides and measures of performance and provide overall indications of the bench strength in the organization. Many tools used in recruitment can equally be used internally throughout an employee's life cycle."

Immature technology

While companies wrestle with internal organizational issues to make talent management work, they are recognizing that the technology is still not where it needs to be to enable this management.

"Although I think the organizational issues are the most critical, it is obvious that the systems are not yet maturing to provide an end-to-end solution," Bull says. "For example, there are few tried and trusted performance management systems out there beyond basic competency management. There is much to gain by automating the processes but, in my opinion, there is no single system that is mature enough to deal with the whole agenda."

While many vendors—including some of the largest enterprise resource planning companies—work to provide an end-to-end solution, some potential buyers have become tired of waiting and instead have opted to build a solution themselves. While that usually is not recommended, for now it is the only viable off-the-shelf solutions that involve integrating best-of-breed technologies.

"I'm a big believer that you should automate wherever possible to drive operational efficiencies," says McGrath, "but I don't believe any company should try to build it themselves. It is never HR's core competency to build technology."

Lauber agrees. "My preference is best-

of-breed," says Lauber, "since I do not, and have not, seen anyone able to do all things well at this point."

Bull adds that when IT becomes involved, it moves out of HR's abilities. "The choice of systems will, of course, depend on the needs of the organization, so there is not one answer," advises Bull. "ERPs tend, in my view, to lack the necessary functionality. Plus, when ERPs are involved, the issue starts to move outside HR and into IT strategy. So you have to look for best-of-breed solutions to integrate—perhaps as part of an ERP—with an LMS linked to a knowledge management tool, linked to a performance management module or system, linked to a succession planning system."

According to McGrath, vendors are now playing a larger role in this integration. "Most firms have traditionally been very unhappy with their integration of best-of-breed technologies," cautions McGrath, "and in my conversations it seems that most vendors—as well as companies—haven't got the foggiest idea of how to get these systems integrated. We are now starting to see the onus put on the vendor to integrate. However, many are planning to do so by acquiring complementary technologies, which should prove interesting over the next year."

Continued consolidation

For those of you who are tired of vendor consolidation, there is likely no relief on the horizon because it will continue to be a very active market for mergers and acquisitions. Gartner Group is one of many that are predicting consolidation to dominate the talent management landscape ahead. In a recent report, the IT consultancy indicated that this year, we will see multiple acquisitions.

"Customers should expect to see additional alliances and acquisitions among vendors from the performance management, succession planning, compensation management, recruitment, and learning domains in 2006," the Gartner report says. "Before purchasing any HCM software in 2006, customers should evaluate the vendor's underlying talent management application suite strategies."

More specifically, Gartner predicts that by the end of 2006 there will be at least two mergers among vendors in the e-recruitment software market and two acquisitions by vendors expanding their talent management product suites.

"Many vendors are still competing in mature markets, such as learning and e-recruitment, which are part of an emerging market for talent management application suites," the report continues. "Like recruitment, the maturity of the learning market is driving consolidation. As market growth slows for learning management systems, vendors are looking to grow and consolidate their leadership positions in the market."

The sheer number of installed learning management systems leads many to predict that talent management systems will likely use these platforms as the jumping-off point or the core of a broader, integrated system.

"Because of the heavy focus on e-learning in the last five years, learning management systems now are being adopted as a mainstream corporate application," observes Bersin. "This evolution has taken place because organizations are realizing that to truly manage learning and development functions, they must have a centralized system that is supported by IT, integrated into the company's HR applications, and used consistently across all business units. As broader talent management evolves, organizations that use their LMS corporatewide will naturally start to extend this platform to link to other HCM applications."

One of the hottest HCM applications is performance management. While most every company has some sort of performance review process, it has been estimated that less than one third of organizations have an enterprisewide performance management process in place, and even fewer have an automated process. This is quickly changing, as most believe the performance management software market is the fastest growing market of all HCM software categories.

"While the LMS market is large and growing, the performance management systems market—albeit much smaller—is growing faster," adds Bersin. "The two are naturally linked together through skills, competencies, and learning offerings.

"As organizations see the need for a larger, talent management offering, the first step is already being taken [because] many organizations are asking their suppliers to link these applications together."

But, as Bull reminds us, unless organizations have top level buy-in, technical solutions won't ever succeed.

"The systems, particularly performance management systems, should support the key process of management and staff dialogue. Unfortunately, in most companies, learning is still not at the right strategic level," observes Bull. "Senior management still talks of leadership development as part of the mix but often fails to mention all staff development at all levels. Because of this, today we still too often see gaps between learning, talent acquisition, succession planning, and performance management."

Before talent management can really take off and reach analyst's lofty predictions, the reality of the market today is that executive support still has a long way to go. While the industry is rife with preachers who have been delivering that sermon for decades, there's obviously still a lot of missionary work left to do.

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