



TALENTALIGN IT

YOUR IT HUMAN CAPITAL MANAGEMENT SERVICES ORGANISATION

White Paper

"Talent Management – Maximize the Investment in your IT Human Capital"

by Gail Sturgess – TalentAlign IT

Presented at 2008 CSSA Conference

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"Talent Management – Maximize the Investment in your IT Human Capital"

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Introduction (Abstract)

Much is being spoken of Talent Management these days. But is this just another name for Human Resource Management? Or is this it something different?

The work of John W Boudreau and Peter Ramstad¹ explains the concept of "Talentship" as a "Decision Science" to "increase the success of the organisation by improving decisions that depend on or impact talent resources". Talentship, they suggest, is to Human Resource Management what Finance is to Accounting, and what Marketing is to Sales.

Some of the important initial questions that result from this emerging "decision science" for Human Capital Management are:

- What is happening in the area of Human Capital today – inside and outside South Africa?
- How is this impacting on business today?
- What does it mean for the future?
- What do we need to do about it?

But probably the main question is – Why should we bother?

How did we get here?

*"Decisions about talent, human capital, and organisational effectiveness are increasingly central to the strategic success of virtually all organisations, so it is surprising how often vital decisions about talent and how it is organised are addressed with only very limited measures or with faulty logic."*²

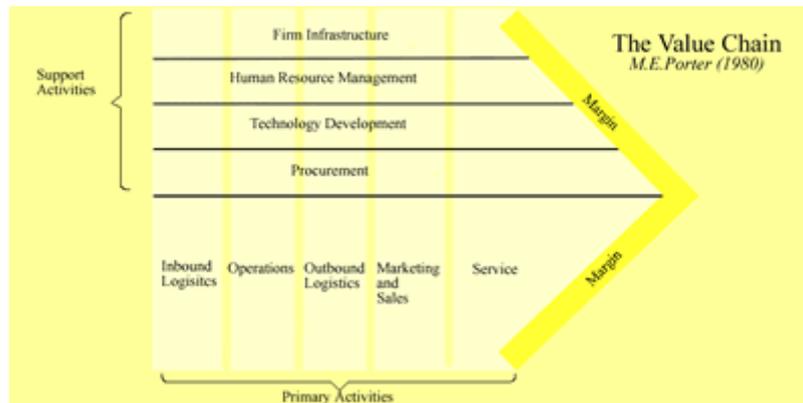
Although probably with somewhat different earlier timelines, IT and HR have over the past 50 years or so been travelling very much the same path.

Until recently, much like IT itself, HR has been a "supportive" process within organisations. Even in Porter's Value Chain, IT and HR are depicted merely as support structures for the organisation's value chain – not contributors to the value chain.

¹ Boudreau, John W and Ramstad, Peter M. "Beyond HR". Harvard Business School Press, 2007

² Wayne Cascia and John Baudreau, "Investing in People: Financial Impact of Human Resource Initiatives", FT Press, 2008

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In the earlier days, IT (or DP as it was called at the time) was focussed on the automation of the accounting systems in the organisation. At the same time, HR was focussed on the automation of payroll.

As we moved on and technology became more powerful and less costly, IT moved to Management Information Systems and Enterprise Resource Planning. At the same time HR move to Human Resource Information Systems.

And now ... Both IT and HR are working not on only “supporting” the elements of the value chain, but also on how the specific elements of each area can be “harnessed” to assist and drive the value chain, adding value at each element and driving organisational strategy as a whole. Both IT and HR are discovering ways that enable them to assist in driving the strategy of the organisation.

	IT	HR
Strategy	CobiT?	HCM / Talentship?
Operations	MIS, ERP	HRIS
Administration	Accounting Systems	Payroll Systems

Both IT and HR are in the process of defining their roles and contribution in terms of organisational strategy and goals, one from a process viewpoint, the other from an “organisational capability” point of view. For IT, CobiT is the framework currently being used. For HR, it is the emerging “science” of “Human Capital Management” or “Talentship” as proposed by Boudreau and Ramstad.

“Organisational Capability” is defined as the sum of all knowledge, experience and performance capability an organisation possesses that can be applied to create wealth.

Evolution of “Talent Management”

Why do we have this mounting interest and focus on “talent” management? It all started in the early 1990s. Before that there was a pretty stable employer/employee relationship with a focus on “loyalty” and “job for life”.

Then came the 1990s. Some of us will remember the workplace “blood letting” that took place in business during the “downsizing”/ “rightsizing” exercises that so dominated that time. “Do more with less” was the battle cry. And business did.

Then there was the Y2K fiasco. Was it real, was it not? It probably was, and the reason it “fizzled” is probably largely due to the amount of work that went into ensuring that there was no “bang”. Be that as it may, demand for “legacy” skills soared in that period. Then fell even more sharply in 2000. Then came the dot.com followed shortly by the dot.bomb.

What really happened in this HR roller coaster ride that lasted 10 years or more? Firstly, little attention was given to who exactly was leaving the organisation – what “organisational capability” was being released? What “talent” stayed behind? Secondly, it has caused a change in the relationship between employer and employee that will probably never return. No more do employees think of a “job for life”. No more do employees “trust” the organisation. It’s now “down to business” – I have skills that you want, you have work that I want, so how do we negotiate to meet our mutual requirements.

And then there are the Baby Boomers

In 1997, McKinsey & Company coined the term “the war for talent” in their original research on talent management practices and beliefs³. This phrase has reverberated throughout the business world – globally, ever since. They repeated the survey in 2000 to find that the problem had worsened, and predictions are not good, with global shortages anticipated up to 2020, as depicted in the graphic overleaf from data from the US Bureau of the Census. This is not all about IT skills, but IT skills are some of the most crucial skills needed by business as they progress through the “information” age.

What is actually happening is a combination of three, predictable factors:

1. The low population growth rate of “developed” countries,
2. The move from an industrial economy to a “knowledge” economy, and
3. Economic growth

These three factors, when brought together, have a number of “unanticipated” outcomes:

- The number of people entering the workplace is less than the number of people departing the workplace;
- The number of people entering universities (globally) is declining

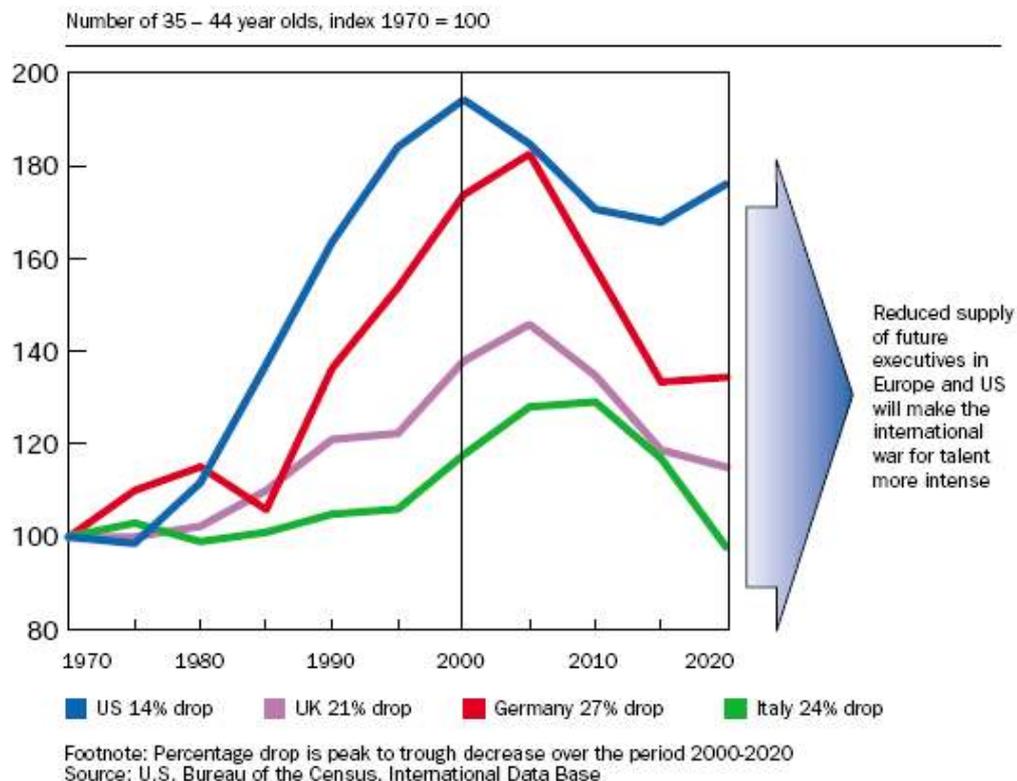
³ Ed Michaels, Helen Handfield-Jones and Beth Axelrod, “The War for Talent”, Harvard Business School Press, 2001.

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- The number of people entering universities in Computer Science is declining – even in South Africa!
- Economic growth is a global imperative and could determine the survival of countries
- The value of “hard” assets has declined relative to the value of “intangible” assets
- In today’s “knowledge economy”, the calibre of the organisation’s “talent” increasingly determines the success of the organisation
- The market for “talent” is the most competitive it’s been in decades.

And all of this leads us back to McKinsey’s “War for Talent”.

In business, the gauge of the “health” of the organisation is the number of 35 to 44 year-olds in the business as these are the “future leaders” of the organisation. The graph below shows the number of 35 – 44 year olds in business in 4 of the large Western economies, predicted to 2020.



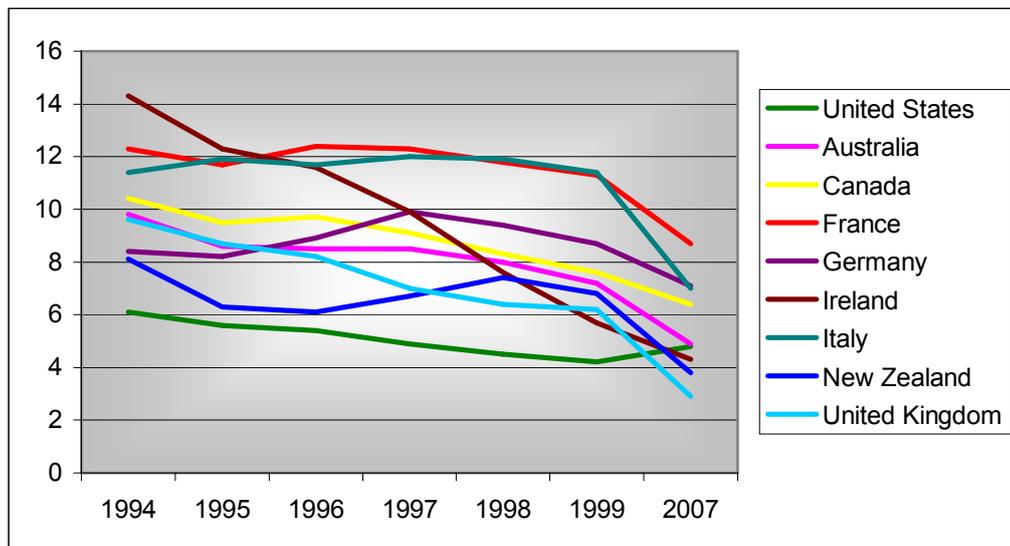
As an aside, does anyone else think “what an opportunity for South Africa with a +20% unemployment rate” and the majority of the population at a lower age? Where is Skills Development going wrong? Are we too “internally” focussed?

Bringing these shortages into the IT arena, according to the US Bureau of Labor Statistics, the US has a shortage of 300 000 IT people. This is more than the total

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population of IT people in South Africa. Australia has a 4.9% unemployment rate, and a 34% IT staff turnover rate. According to the recent P-E Corporate Services IT Salary Survey⁴ IT staff turnover in South Africa is currently at 21%, compared with 14% in the General Staff survey, with 48% leaving for "Better Career Prospects".

A table of unemployment rates by country is included in Appendix A. This table is in itself interesting, but what is much more interesting is the trend in the years 1994 to 2007. Some years are missing data, so the curve is misleading. But the trend is very clear.



As countries approach 0% unemployment, coupled with low population growth rates, it impacts on the growth potential of the country as a whole. One research on the topic done in 2000/2001 suggests that the inability to fill key technology positions in Europe could impact economic growth by as much as 3%.⁵

..... And then there is the Generation Y!

There are more generations working together in the workplace today than at any other time in our history. It is not unusual for twenty-somethings to be working alongside fifty-somethings reporting to a thirty- or forty-something. That is the workplace today.

⁴ 2007 P-E Corporate Services IT Salary Survey

⁵ David Finegold and Susan Mohrman of the Center for Effective Organizations in conjunction with Korn Ferry International, "What Do Employees Really Want?", presented at the World Economic Forum's January 2001 Annual Meeting in Davos, Switzerland.

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This is also having an impact on the workplace in “standard” policies, procedures, and general staffing policies, that were just not created for this amount of diversity.

Each generation has it’s own very different needs, wants and desires. Satisfying these is key to engaging and retaining staff. What do these different generation groups really want?

“*What do Employees Really Want? The Perception vs. The Reality*” is the title of a report that surveyed more than 4500 knowledge workers and managers seeking to establish what strategies organisations need to embark on to attract, retain, motivate and develop the people with the qualities and competencies needed to achieve organisational success. The question: What **actually** drives commitment and retention? The findings are, to say the least, fascinating.

A number of elements of the “workplace relationship” were identified. These are:

<i>Adequate Development Opportunities</i>	Opportunities available to learn new and different abilities and opportunities to apply the skills and capabilities learnt.
<i>Career Advancement</i>	The ability to move within the organization to secure the kind of job that fits the interests and aspirations of the individual.
<i>Influence / Autonomy</i>	The ability to influence the organization and control over their own work.
<i>Innovation and Risk</i>	Comfortable opportunities for innovation and creativity.
<i>International Opportunities</i>	The opportunity to work in a different global region.
<i>Job Security</i>	The commitment of the organization to retaining employees.
<i>Opportunity for Career Self-Management</i>	The opportunity for individuals to manage their own career development within the organization.
<i>Pay for Individual Performance</i>	Rewards such as individual performance bonus.
<i>Pay for Organizational Performance</i>	Rewards such as share options or profit-sharing give employees a personal financial stake in how well the organization performs.
<i>Professional Satisfaction</i>	Recognition of abilities and ongoing development of those abilities to maintain currency.
<i>Strategic Clarity</i>	The organization has a viable and well-communicated strategy for success.
<i>Work/Life Balance</i>	Balancing the commitment to the organization and the employee’s life away from the workplace.

The “career stages” surveyed are:

Career Stage	Key Characteristic
Early Career: Ages 30 and Under	Establishing their personal value
Mid-Career: Ages 31 to 50	Establishing themselves in leadership roles
Late Career: Ages over 50	Established skills and experience

The table below lists what shows what employees “say” is important, and what is actually important to employees in their careers from both a retention and a commitment point of view, in descending order of importance:

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What they Say is Important		
Early Career	Mid-Career	Late Career
<ul style="list-style-type: none"> ▪ Work/Life Balance ▪ Pay for Individual Performance ▪ Pay for Organizational Performance ▪ Job Security ▪ Professional Satisfaction ▪ Career Advancement 	<ul style="list-style-type: none"> ▪ Work/Life Balance ▪ Job Security ▪ Pay for Individual Performance ▪ Pay for Organizational Performance ▪ Influence / Autonomy ▪ Professional Satisfaction 	<ul style="list-style-type: none"> ▪ Work/Life Balance ▪ Job Security ▪ Pay for Individual Performance ▪ Pay for Organizational Performance ▪ Influence / Autonomy ▪ Professional Satisfaction
Actual Drivers of Retention		
Early Career	Mid-Career	Late Career
<ul style="list-style-type: none"> ▪ Career Advancement ▪ Pay for Organizational Performance ▪ Pay for Individual Performance ▪ Innovation and Risk 	<ul style="list-style-type: none"> ▪ Career Advancement ▪ Pay for Organizational Performance ▪ Innovation and Risk ▪ Professional Satisfaction 	<ul style="list-style-type: none"> ▪ Pay for Organizational Performance ▪ Job Security ▪ Career Advancement ▪ Innovation and Risk
Actual Drivers of Commitment		
Early Career	Mid-Career	Late Career
<ul style="list-style-type: none"> ▪ Pay for Organizational Performance ▪ Strategic Clarity ▪ Adequate Development Opportunities ▪ Innovation and Risk ▪ Influence / Autonomy ▪ Professional Satisfaction 	<ul style="list-style-type: none"> ▪ Pay for Organizational Performance ▪ Strategic Clarity ▪ Influence / Autonomy ▪ Professional Satisfaction ▪ Innovation and Risk ▪ Opportunity for Career Self-Management 	<ul style="list-style-type: none"> ▪ Pay for Organizational Performance ▪ Innovation and Risk ▪ Influence / Autonomy ▪ Adequate Development Opportunities ▪ Strategic Clarity ▪ Opportunity for Career Self-Management

The Generation Y employee decides if he want to work for you, not the other way round, total pay (cash in hand) is a key decision criteria, and advancement is vitally important. The average manager is accustomed to having a career related discussion with staff at most twice annually. Gen Ys expect it daily!

Management style as well as HR policies and procedures are going to have to dramatically change over the next few years if organisations are going to attract and retain the skills that they need to deliver strategy.

The Business Impact

The main business impact is twofold. In the short-term it impacts the bottom line. In the long term it impacts growth potential. The situation for the foreseeable future is:

- Demand is greater than Supply;
- Most employees are not “engaged”;
- High staff turnover, especially in high-level technical skills;
- Longer time to fill vacant positions.

The main short-term problem is the cost of staff turnover and the time that it takes to replace the departing employee. Only a small portion of this cost is actually budgeted and managed.

For companies growing their business, the time it takes to find or develop the right talent impacts on loss of productivity, higher cost of staff turnover and can impact on the ability of the firm to grow at desired rates.

Many of South Africa’s leading organisations still believe that if they “throw enough money” at the individual, they will be able to compete for the top talent. The problem with this hypothesis is:

- a) There is actually insufficient “talent” to warrant this, and
- b) If most of the top organisations are practicing this, all it is achieving is pushing up the cost of “talent”.

And this is happening at an alarming rate. A few years ago only senior executive IT management were in the E-band of the Paterson Job Grading System⁶. Right now a number of organisations have already moved high-level, scarce technical skills into this band. This not because they’re implementing “dual career-pathing”⁷, it’s a “retention” strategy. Paying high salaries to keep key skills on board.

Cost of Staff Turnover

Let us have a look at the “cost” of staff turnover. A number of articles and models are used, but all of them have certain common components:

- Separation Costs – made up of:
 - Exit costs, such as Leave Pay, etc.,
 - Exit Administration costs (time of HR and others in managing the exit), and
 - Reduced efficiency (or productivity) of the employee during and before the exit period.

⁶ A system that grades jobs dependent on a number of factors, including span of authority and decision type and timeframe.

⁷ A method of deliberately defining a second career path, other than management, to enable technical skills to develop and prosper in the organisation.

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- Acquisition Costs – made up of:
 - Recruitment expenses (Advertising, interview process, testing, etc.), and
 - Administrative costs (time of HR and others in managing the recruitment process).
- Learning Costs – made up of:
 - Onboarding (introducing the new employee into the organisation),
 - Learning and Development (transferring knowledge to achieve productivity), and
 - Reduced efficiency (or productivity) of the new employee during the “ramp-up” period, which, in IT, could be as much as 6 months.

Based on our experience, the cost of staff replacement can be considerable. The table below shows the total cost of staff turnover to organisations of different sizes (different number of IT employees) and different staff turnover rates.

Total Number of IT employees in your organisation	Total cost* of their departure to your organisation each year at various turnover rates		
	15%	20%	25%
20	R 657,650	R 876,867	R 1,096,083
50	R 1,644,125	R 2,192,167	R 2,740,208
75	R 2,466,188	R 3,288,250	R 4,110,313
100	R 3,288,250	R 4,384,333	R 5,480,417
200	R 6,576,500	R 8,768,667	R 10,960,833
500	R 16,441,250	R 21,921,667	R 27,402,083
3000	R 98,647,500	R 131,530,000	R 164,412,500
% of Payroll	9%	13%	16%
% IT Budget (27%)	3%	4%	4%

* Assumes average TCO of R300,000 and the cost to replace and make productive each new employee being equivalent to 63% of first year salary – includes, search fees, HR time, training and onboarding.

In the recent P-E Corporate Service IT Salary Survey, IT Staff Costs were an average of 27% of the total IT Budget – the largest single item on the budget!

Based on this, staff turnover of between 21% and 25% represents between 13% and 16% of total IT payroll costs, and 4% of the total IT Budget. Yet these costs, except for direct recruitment costs, very seldom appear on the budget at all, and few managers pay much attention to them.

The Rewards of Good Talent Management

According to McKinsey's 2000 research results "The potential for value creation extends beyond the level of individual performance differentials. Companies that recognise the strategic importance of talent, and manage their businesses accordingly, stand to reap very large rewards."

In fact, of the companies surveyed (13000 managers at 112 large US companies) companies that excelled in Human Capital Management (Talent Management) were 22 percentage points better than the average in their industry. Not 22% better, 22 percentage points better!

While many factors drive return to shareholder investment, this research provides compelling evidence that better talent management creates better performance.

In fact, according to a recent Gallup survey, employees with above average attitude towards their work:

- Create 38% higher customer satisfaction
- Produce 22% higher productivity
- Result in 27% higher profits

The same survey found that:

- 29% of employees are actively engaged in their jobs,
- 54% of employees are not engaged in their jobs, and
- 17% of employees are actively disengaged from their jobs.

Putting these together, it means that only 29% of the workforce – less than one-third - is producing high profit, higher productivity and better customer satisfaction. Imagine the reward to the organisation of upping the 29% to, say, 40%!

The Questions Answered

So, to return to the question "*Why should we bother?*", the answer is quite clear – because it impacts on the bottom line and the long term prospects of the business - it impacts customer satisfaction, it impacts productivity, it impacts profits. In short, it leads to better business performance.

Then the question; "*What is happening in the area of Human Capital today – inside and outside South Africa?*". We might not be feeling the full impact of the skills shortage yet. But it is definitely impacting business in the developed world – and this just has to have spin-offs into South Africa. How can business in Australia grow without skills? When the US economy turns, how will it grow without skills. How can economic growth in Europe continue without skills?

I'm pretty sure that "other" solutions will surface over the medium- to long-term, but in the short term they have no alternative but to look for the skills globally, and this is the latest recruiting strategy used by top organisations.

"*How is this impacting on business today?*" In a recent Deloitte Consulting LLP survey on Talent Management, 72% of organisations surveyed indicated that they

are concerned that the inadequate skills of incoming workers will negatively affect their bottom line. When asked to select the one issue that will most impact their business performance, 43% of respondents chose retention of key talent. A recent survey by Computer Economics⁸ of mostly North American companies, finds that IT spending growth is accelerating – in fact the IT Budget has grown by 5%, the highest growth rate in 5 years. The same survey finds that the IT Capital Spending Mix is shifting from Hardware to Software. So the emphasis is on building systems, which needs high-level IT skills and IT/Business integration skills.

“What does it mean for the future?” As may be expected, many South African organisations are looking to contractors, outsourcing and “off-shoring”, (i.e. looking to countries such as India to outsource development work) for the development work. This is merely “shuffling the deckchairs”. US has twice recently raised the annual immigration quotas for IT people. India is experiencing a shortfall of 500000 IT skills. When the English-speaking world starts to actively **target** South Africa – and so they should because we have really excellent IT skills – this will leave South African organisations hopelessly short of the talent needed to deliver on strategic goals and activities.

What do we need to do about it?

First and foremost, we need to come to the realisation that:

“Great organisations achieve sustainable growth and profits because they do what other organisations don't: - they maximise the innate, individual talents of their employees to connect with customers.

They know that *tapping the resources of humans is the only remaining area where significant improvements can--and do--lead to an unlimited source of competitive advantage.*”⁹

This means that we have to be prepared to dramatically change the status quo that has been the foundation of HR policy since the industry era. In a presentation by Dr Graeme Codrington at the recent AdvTech / P-E Corporate Services 2007 IT Salary Survey breakfast session, he told how, if the same criteria was used today to calculate retirement age as was used to calculate the current retirement age, retirement age would be 92 years old!! We need to be prepared to change virtually everything!

Secondly, we need to come to the realisation that we have a vast, untapped potential skills pool available to us, and we can't rely on government to “deliver” the “right” skills – we have to do it ourselves. South Africa currently doesn't even rank within the top 20 countries that are used by the developed world for “off-shoring”. This is a wasted opportunity that will come back to haunt us.

Thirdly, we need the skills, abilities, information, and systems to enable us to do all of this.

⁸ “2007 / 2008 IT Spending, Staffing and Technology Trends”, Computer Economics

⁹ Curt Coffman, Gabriel Gonzalez-Molina, “Follow this Path”, 2002

Where to Start ...

Every article on the subject today indicates that the starting point is improving Talent Management in the organisation. But what does this mean?

McKinsey identified five “imperatives” that organisations need to act on if they are going to win the war for talent, and we have added another, based on the work of Wayne Cascio and John Boudreau¹⁰:

Embrace a “talent” mindset

A talent mindset is the deep-seated and organisationally pervasive belief that having better and appropriate talent at all levels is how the organisation outperforms its competitors. It is the recognition that better talent pulls all the other performance levers that drive the organisation to successful achievement of strategy. A talent mindset ensures that the link between business strategy and talent requirement is forged and followed through – at all levels.

A talent mindset starts at the top. Talent Management is a business problem – not an HR problem. According to research undertaken by Bersin & Associates¹¹ none of the high-impact talent management solutions are owned by HR. HR is the “steward” or facilitator of the process, but managers and their teams are the “owners” and the drivers of the process.

Business Strategy is the starting point of effective Talent Management. Without top management commitment and buy-in, Talent Management can end up being both expensive and ineffective.

Every leader in a talent mindset organisation knows and understands the answer to the question “how strong is your team and how can it be strengthened?” In a mature talent mindset organisation leaders:

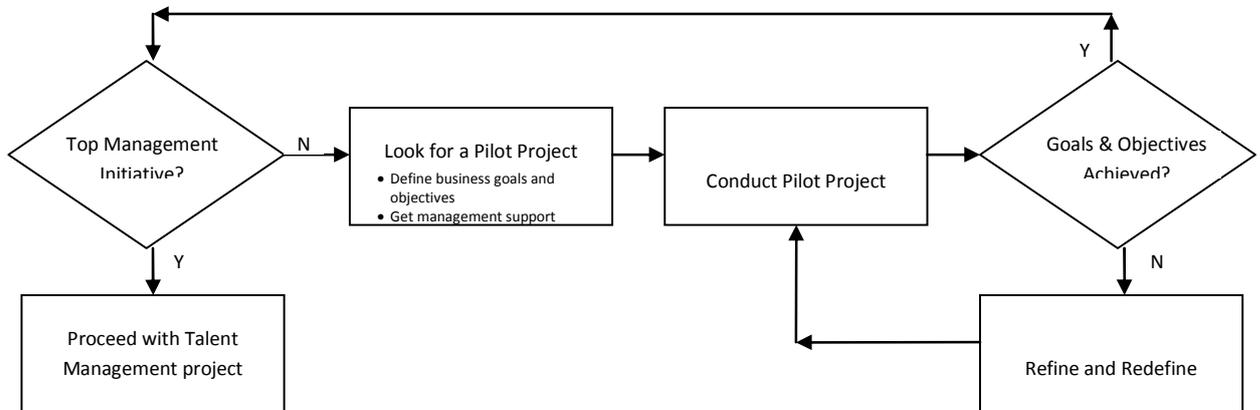
1. Establish the standard for talent for their organisation (be it a team, a department, or the whole organisation)
2. Get actively involved in people decisions as deep within the organisation as possible
3. Drive a simple, but probing talent review process
4. Instill a talent mindset in their organisation
5. Invest in talent!
6. Hold themselves and their managers accountable for the strength of the talent pools they build.

The decision process to start building a Talent Mindset can be depicted as follows:

¹⁰ Wayne Cascio and John Boudreau, “Investment in People: Financial Impact of Human Resource Initiatives”, FT Press, 2008.

¹¹ Bersin & Associates, “Talent Management: Is it Too Important to Delegate to HR?”, Talent Management Newsletter, March 2007.

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McKinsey's "War for Talent" offers the following checklist for managers to assess their talent mindset.

- Do you believe having better people is how you will win in your business / department / team?
- Do you believe that strengthening your talent pool is a crucial part of your job?
- Do you convince all your managers / team leaders to make talent a crucial part of their jobs?
- Have you established a standard for talent in your organisation / department / team that is widely understood and drives people decisions?
- Are you deeply involved in key people decisions one, two and three levels below you? Do you probe, help, and challenge?
- Do you personally drive a talent review process in each unit reporting to you that results in a robust agenda for substantially strengthening each unit's talent pool? Do you follow up continuously on each unit's plan?
- To install a talent mindset in others, do you model great talent management and talk to your people about talent frequently?
- Have you demonstrated a willingness to invest real money in talent?
- Are you holding yourself and each of your managers / team leaders accountable for three to six highly specific and measurable actions to strengthen their talent pool over the coming year?

Well, how do you fair? Do you have a talent mindset?

Craft a winning Employee Value Proposition (EVP)

The Employee Value Proposition (EVP) is, essentially, a measurement of the balance between what an employee receives from their employer in return for their performance on the job. The theory behind the EVP is that if, in the employees' minds, they "get" rewards equal to or exceeding what they "give", the company will tend to have more satisfied employees and improved attraction and retention.

The difference between an EVP and the glossy recruitment brochure or the sizzling recruitment advertisement is – the EVP is what people *actually experience* in the company, day by day.

As with the Customer Value Proposition, the EVP is a differentiator! It focuses on the unique attributes of the organisation that make THIS organisation superior to its competition. It builds on those unique attributes to ensure that it attracts and retains the skills and talent needed to achieve its strategy, goals and objectives. The EVP is the answer to the question “Why would a highly talented person like me choose to work here?”

To create a winning EVP the organisation needs to understand the core elements that people in different jobs and at different levels look for. Does this mean that the organisation could have more than a single EVP – of course it does. The organisation will have a different EVP for each uniquely different department / level / employee group. It is the same as Market Segmentation – it is Employee Segmentation. Does a company have a single product and Customer Value Proposition for all of its customers – of course not! So why should it have a single EVP for fundamentally diverse employee populations?

Of course some of the essential elements are consistent throughout all the organisation's EVPs – such as culture, vision, mission, values, etc. Key segmentors could be:

- Generation group (boomers, Gen X, Gen Y, etc.)
- Job environment (high-tech, low-tech, dynamic and fast-changing, repetitive and slow changing, etc.)
- Sex (male, female)
- Core attributes (learning agility, attention to detail, accuracy, creativity, etc.)

The EVP needs to match the deliverable of the work in terms of the different differentiators to set the necessary expectation against which the organisation will deliver.

An EVP is not static. Just as marketers keep revisiting and revising the Customer Value Proposition as markets change, the EVP needs to be revisited and revised on a regular basis, as the employee “market” attributes change, and as the strategy of the organisation changes to meet market needs.

McKinsey's “The War for Talent” suggests ways in which the diagnostic techniques used for product and/or market strategy can be adapted to apply to the EVP:

- Assess the current strength of each EVP
 - Measure attrition rates of high performers, new recruits and other key groups.

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- Analyse the acceptance rates of recruitment offers and the quality of new recruits.
- Understand the needs of the target market (employee)
 - Conduct surveys of current, prospective and past employees to understand which EVP elements are most important to them and what drives their “buy” and “switch” decisions.
 - Identify and define the “segments” that would most appropriately “fit” the organisational need in each EVP group.
- Understand how the EVP measures against competitive organisations
 - Identify and define who your talent competitors are.
 - What are their EVP strengths compared to yours.
 - What are their EVP vulnerabilities compared to yours.
- Decide which elements of the EVP you are going to change.
 - Brainstorm ways to strengthen the EVP.
 - Identify the changes that will substantially improve the EVP.
 - Identify who will drive the changes at the organisational level.
 - Decide which changes to act on.

“Substantially reshaping the employee value proposition requires rethinking the way you conduct your business, the way you advance your people, the way you structure jobs, and the way you measure performance. You may need to rethink the very culture of the organisation. The changes may cut to the core of some of the most closely held traditions of the company.

“This can be wrenching and will undoubtedly be met with some resistance, but don’t let that deter you – the payoff can be enormous. Attracting and keeping highly talented people and bringing out the very best in people will fuel your business.”¹²

Rebuild the recruiting strategy

Recruiting today is just not what it used to be. The table below compares recruitment in the “good ole days” and recruitment today.

Old Recruiting Practices	New Recruiting Strategies
Homogeneous Recruitment Practices <ul style="list-style-type: none"> ● Hire only full-time employees ● Hire “temps” when necessary 	Heterogeneous Recruitment Strategy <ul style="list-style-type: none"> ● Different strategies for different requirements <ul style="list-style-type: none"> ○ Full-time employees – critical

¹² Ed Michaels, Helen Handfield-Jones, Beth Axelrod, “The War for Talent”, Harvard Business School Press, 2001.

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Old Recruiting Practices	New Recruiting Strategies
<ul style="list-style-type: none"> • One-size-fits-all policies and processes 	<ul style="list-style-type: none"> roles, key skills, steady skills demand ○ Contractors – project requirements, fluctuating skills demand, scarce skills ○ Outsourcing – non-core processes, scarce skills, fluctuating skills demand ○ Temps – peaks, temporary skill vacancies • Different policies and processes for different categories • Develop a recruiting strategy for each type of talent
Recruit as and when needed	Recruit constantly
Promote only from within the organisation	Hire at all levels
Recruit the skills that you need	Grow the skills that you need
Have a few “approved” sources	Tap many diverse pools of talent
Specify a compensation range, and stick to it	Break the compensation rules to get the candidates that you want
Successful recruiting is about good screening	Successful recruiting is about good selling as well as good screening
Hire as needed, with no overall plan	Have a workforce plan, understand the competencies needed, and have a pipeline development plan

Since the time of the Industrial Revolution, “climbing the corporate ladder” was the only way to progress in an organisation and employees were rewarded for their longevity with the company with promotion. Having a number of jobs on one’s CV was considered “undesirable” as a candidate for employment.

All this has changed since the 1990s. In the mid-2000s the average duration within a job is 3 years, and for the Gen Ys, it is 18 months.

There are a number of ways of “managing” this new situation. Firstly, the organisation needs to understand the core skills and competencies required to

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drive strategy. If possible these should be held within the company, as these skills are the key differentiators between the organisation and its competition.

Secondly, the organisation needs to understand the supply / demand curve of the different skills and competencies needed, and the time required to develop these skills and competencies.

The next step is to incorporate the concept of “portfolio management” as a management philosophy. Each portfolio will be managed on a selection of short-, medium- and long-term goals and projects – just as a financial portfolio is managed to minimise risk.

All of this analysis is then compiled into recruitment strategies to best fit the needs of the organisation and the availability of skills to the organisation.

Organisations also need to become more “creative” when it comes to putting remuneration “packages” together. The job grading systems used today have, as their source, the industrial age when “fairness” of remuneration package was the only consideration. These days, skills appropriate to requirements, level of performance, delivery of goals and objectives give a different perspective to “fairness”. Besides “seniority” (not to be confused with number of years in the organisation!), modern “packages” need take into consideration:

- Type and level of skills and competencies
- Level of scarcity of skills and competencies required
- Level of performance
- Level of delivery against goals and objectives
- Retention strategies
- Multiple career-pathing.

Weave development into the organisation

Training is not development! Training is an element of development, but there is SO much more to “development” that needs to be woven into the very fabric of every organisation today. Perhaps even a “development mindset” that needs to be inculcated that understands just how people develop.

Elements that make up development include:

Education	Education forms the foundation for the general development of the person and their cognition and advanced development within a specific field of learning, e.g. Computer Science. Organisational involvement in education is generally through bursaries and subsidisation.
Training	Traditional training is classroom-based, e-learning, or the newer concept of Blended Learning and is generally used for the development of specific skills needed for specific jobs and roles in the organisation.
Coaching and	Research in the area of Talent Management conducted by

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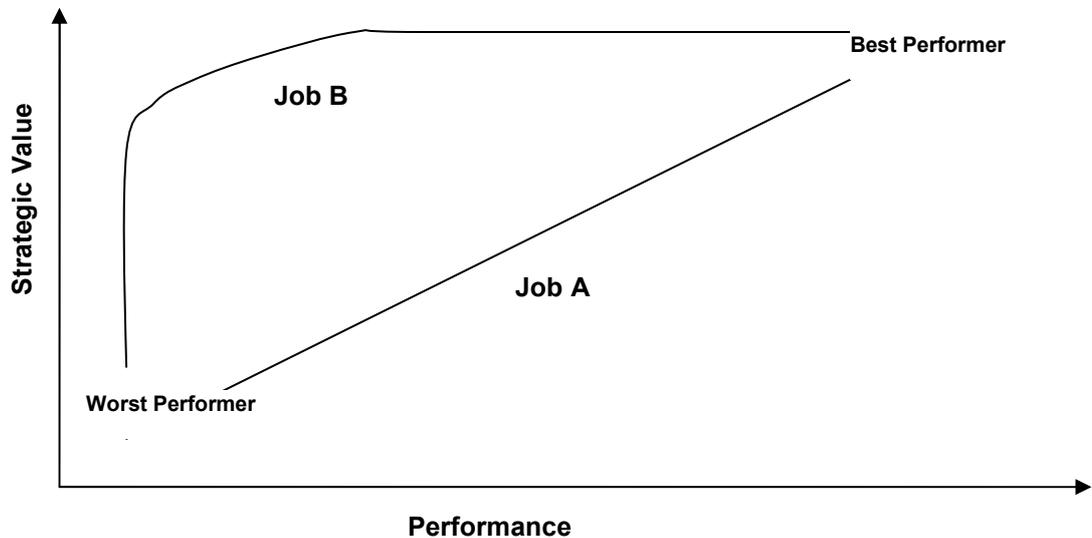
Mentoring	Bersin and Associates ¹³ found that “Coaching” ranked second on the list of best practices for driving business improvement. This is substantiated by “The War for Talent” research in which 95% of respondents reported that coaching had motivated them to do their very best, 88% reported that the experience made them less likely to leave their company, and 97% reported that the experience contributed to their success at the company. The same research found that just 25% reported that their organisation had formal systems to support or encourage mentoring relationships.
Job Assignments	<p>This is the “normal” way that people learn in organisations, and the amount of learning that takes place is limited, generally, by insufficient stretch in job assignments. Management needs to be more effective in:</p> <ul style="list-style-type: none"> • Providing different challenges and special project assignments • Continuously stretch the boundaries of current jobs • Structure jobs so that they are both strategic and developmental • Match people with positions that optimise development
Develop Key Skills	With a shortage of skills in the marketplace, fewer IT graduates going through tertiary institutions globally, and the length of time to develop the high-level skills and competencies needed for competitive advantage, organisations are going to have to expand beyond the traditional approach of recruiting “top” students from universities. Organisations are going to have to find more creative ways of bringing substantially more people into development projects within the organisation – and don’t get stuck on “Learnerships” and Skills Development Levy payments. This is not the issue. The issue is creating a workforce that will enable the organisation to grow in the future.

Differentiate and affirm the people

At the very core of Talent Management is “differentiation”. Boudreau and Ramstad, in “Beyond HR” talk about identifying the talent pools where small improvements make the biggest difference to strategic success. Viewed graphically below, investment in the Job A performer provides more value than investment in the Job B performer.

¹³ Bersin & Associates, “High Impact Talent Management”, 2007.

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So, what needs to be differentiated.

1. The organisation needs to identify the roles and the competencies that provide the highest impact on delivering strategy.
2. Secondly the organisation needs to identify its high performers, high potentials, and poor performers. Similar to the ABC analysis in Stock Control and Customer Relationship Management, employee performance levels need to be defined and employees measured against them.
3. When the roles and competencies are differentiated, the organisation is able to segment employment, recruitment, and other Talent Management processes to maximise their investment.
4. When employee performance is differentiated, the organisation is able to segment remuneration, retention, development and other employee-related Talent Management processes to maximise their investment in the employee.

Implement and Use HR Measures

"When HR measures are carefully aligned with powerful, logical frameworks, human capital measurement systems not only track the effectiveness of talent policies and practices, they actually teach the logical connections, because organisation leaders use the measurement system to make decisions."¹⁴

The ultimate question to ask of any measurement and analysis system is "Does it improve decisions about vital resources where they matter most?" Most of the important decisions relating to employees occur within their work environment, not within HR. Decisions such as which candidate to hire, who and when to train, what remuneration package, work allocation, supervision, performance management, etc. are all line management decisions. Decisions taken within HR are about what

¹⁴ Wayne Cascio and John Boudreau, "Investing in People: Financial Impact of Human Resource Initiatives", FT Press, 2008.

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benefits and how much, what policies and procedures, which HRIS, which training providers, which service providers, etc.

But at the end of the day, are the correct questions really being asked that lead to effective management of talent?

Traditional Questions about Human Resources	Strategic Questions about Human Capital
Is the job getting done?	Is the job accomplished with the optimum level of human capital investment?
Can we reduce headcount?	What is the overall impact of employee separations in different jobs and levels and do we utilise our human capital to maximum effect?
Can we reduce health care benefits?	What is the impact of improved employee health on organisational performance?
Can we improve employee attitudes?	What is the impact of employee improvement on behavioural costing, the service-value perspective, and the value-profit perspective?
Can we implement a better Work-Life balance?	What is the impact of different Work-Life balance scenarios on different types and levels of employee?
What is our "cost-per-hire" and "time-to-fill"?	What is the cost of separations? How effective are we at attracting and keeping the "right" talent? Does our EVP attract the "right" people?
What do we have to do to implement Talent Management?	What Talent Management strategies will have the greatest impact on different pools of talent?

How do we go about Implementing Talent Management

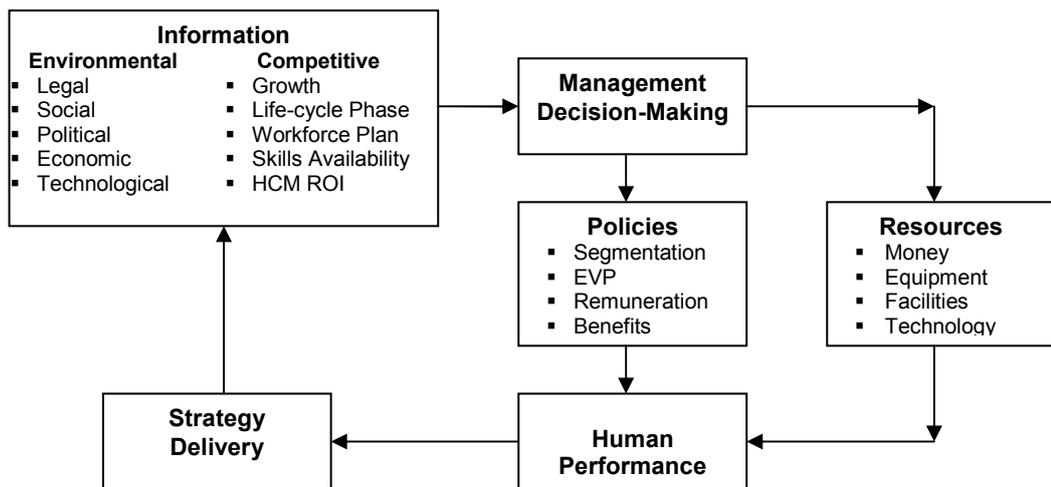
This is the BIG question being entertained by most HR departments right now. And the answer is not simple. Various organisations around the world have employed different strategies for implementing Talent Management to varying degrees of success. As with any new philosophy / methodology / science, getting to "best practice" is a long and bumpy road. But the good news is that we are

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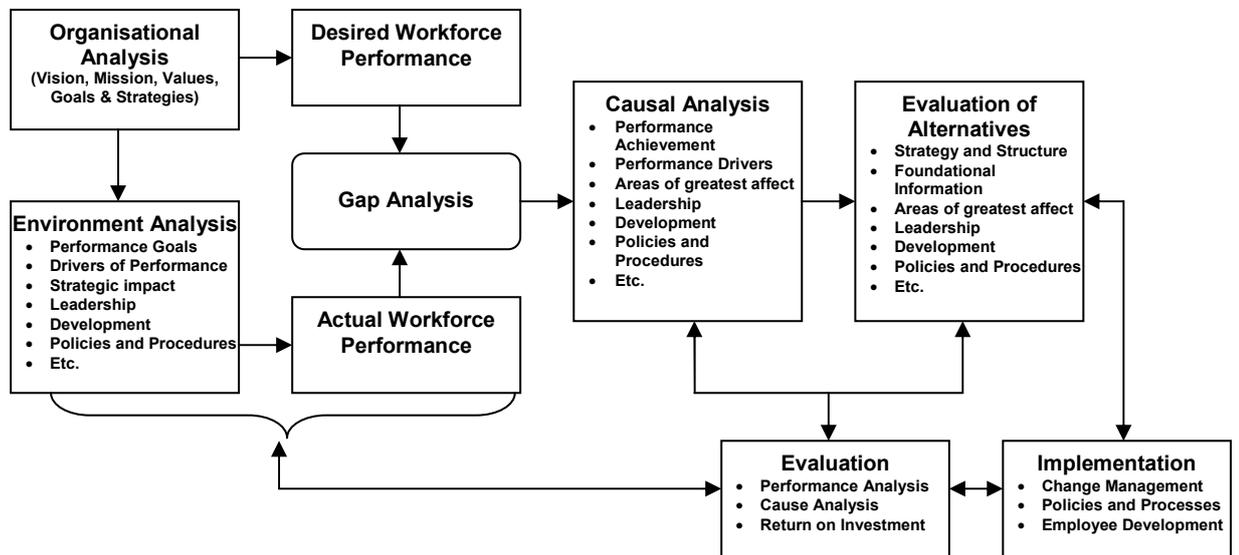
getting there. There are numerous recent researches available to help and guide the organisation seriously contemplating Talent Management. And the information pools are growing to facilitate faster implementation.

As with any “Change Management” process, the “Systems Approach” is always the best. And fortunately, IT people are accustomed to this approach as it resembles the approach taken for Business Process Reengineering.

The overall “system approach” is a feedback system that would look like the diagram below.



A more detailed diagram of the above will be as follows:

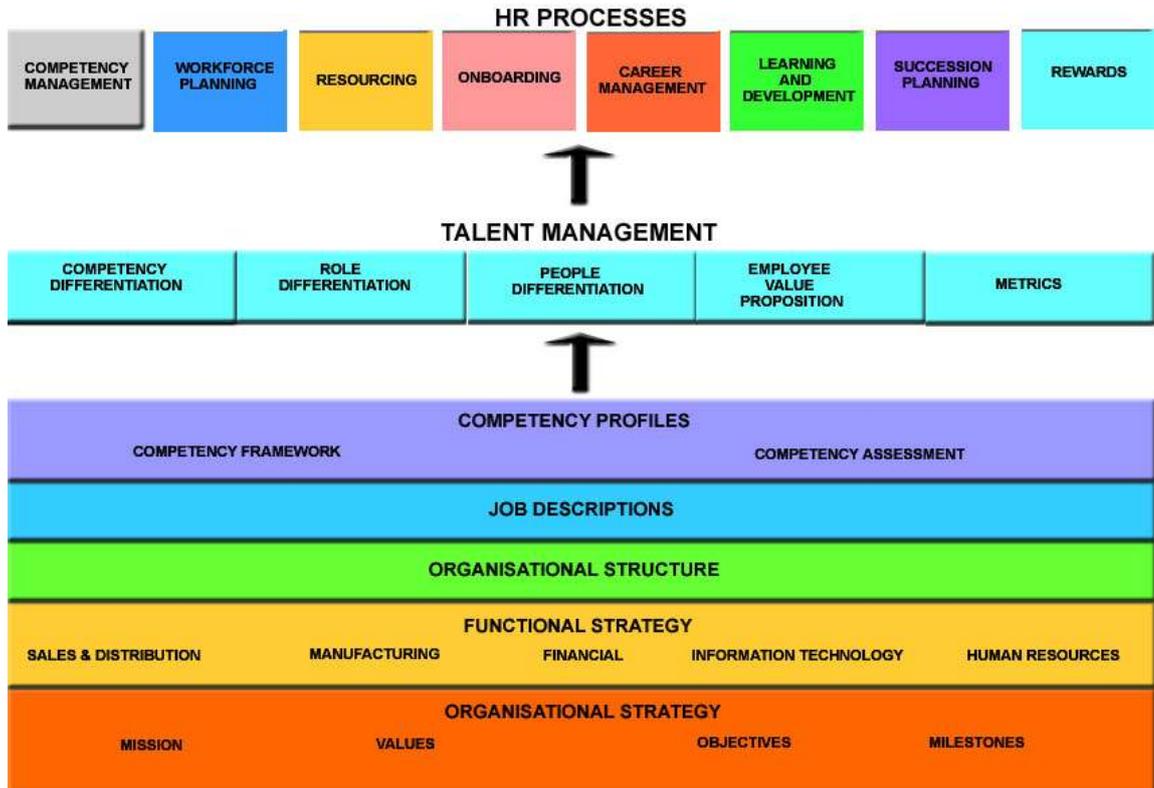


The easy part of this is that the first work really doesn't have to cost a lot or take a lot of time. It's all about collecting and organising current data. But there needs to be a methodology applied to this process. It must be holistic and it must look at the

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integration of the different areas. Looking at one or two areas, for instance, staff turnover and recruitment, in isolation of the whole will lead to misleading results and ultimately higher overall costs.

The following diagram provides an integrated view of Talent Management and how talent management fits into the overall HR and organisational picture.



Talent Management starts with how organisational strategy is rolled out into divisional strategy and the resulting structure of roles within each division.

The two foundation elements of Talent Management are well developed and defined Job Descriptions and the Competency Profiles that describe the competencies needed for each role. Without these, it is not possible to implement integrated Talent Management (or Human Capital Management).

From these elements the competencies are segmented into those core for strategy and those not core. Roles core to delivery of strategy are identified and an analysis of employee performance provides detail on employee segmentation. Employee Value Propositions can be developed for the different roles, and competencies, and metrics to manage the effectiveness of systems and processes, especially performance metrics, are determined.

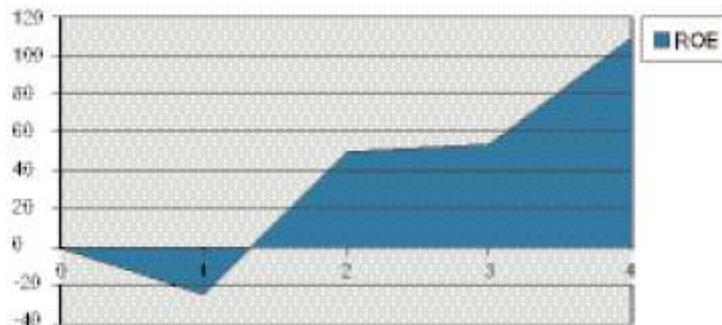
This information provides the input into the HR processes necessary to drive the Employee Life Cycle within the organisation.

But – What About the Cost?

It was Disraeli who said “There are lies, dambled lies and statistics!” Statistics are, at best, a guide. They should cause us to stop and rethink. But they should not be applied without first applying our minds and ensuring that we are taking all relevant factors into consideration.

The cost of implementing Talent Management can be high, with the majority of the cost and time being in creating the Job Descriptions and the Competency Framework from which the Competency Profiles will be developed. There are commercial Competency Frameworks available that save the organisation time and effort. These, generally need to have some customisation, but provide a good framework from which to start and the overall cost is lower going this route.

If implemented thoroughly and with agreed goals and outcomes defined up front, the following graph shows what can be expected in terms of Return on Effort (ROE) of implementing Competency Management and Talent Management¹⁵.



Stage 1 of the process consumes the most resources as this is the fundamental development phase. The output of this phase is a database of knowledge, skills and ability *required* for high performance by the organisation. The output for phase 2 is a database of skills available in the organisation showing distribution, and highlighting the strengths and weaknesses of organisational capability. By the time phase 4 is reached, the organisation is benefiting from all HR processes implemented based on the foundational information.

Conclusion

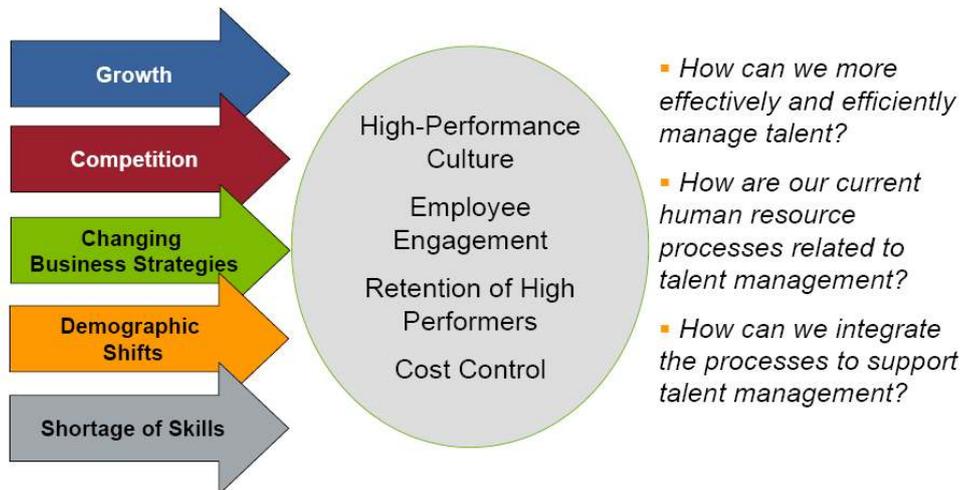
Changes to HR policies and processes are an imperative for every organisation going forward. What changes are made and how they are derived will determine the success of the organisation in attracting and retaining the key skills and competencies needed for the delivery of strategic goals and objectives.

We mentioned earlier in this report that Talent Management is NOT an HR problem, it's a business problem. The diagram overleaf, taken from a presentation by Bersin & Associates¹⁶, demonstrates this clearly.

¹⁵ Hal Gerrish, “Implementing Competency Management: The Critical Success Factors”, Avilar Corporation, 2005

¹⁶ Leighanne Levensaler, “Realising Great Value from an Integrated Talent Management Approach”, Bersin & Assoc, 2007

Factors Driving Talent Management

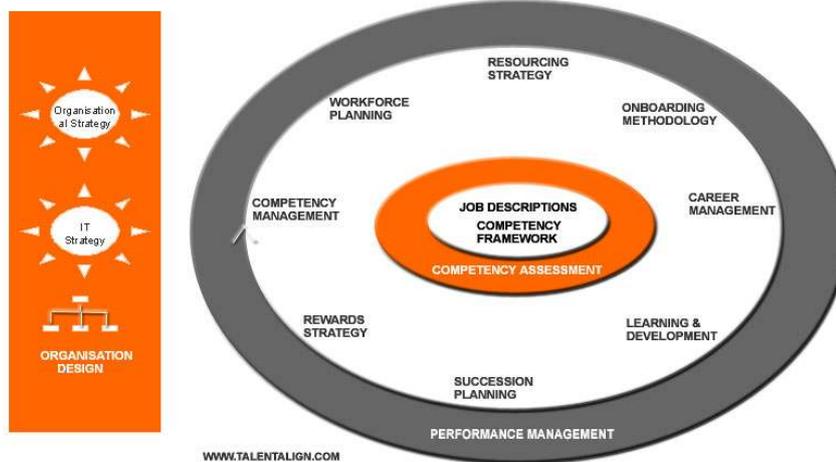


The key questions driving Talent Management today are:

- How can we improve our processes for performance management, recruiting, succession management and development to improve operational performance?
- How can we integrate these processes to respond to business specific problems?
- How can we make systems easier to use, and more powerful for employees and managers?
- How can we integrate our existing HR systems to give us the critical HR information we need?

The diagram below shows key Human Capital Management processes and the nature of the integration of these processes.

THE TALENT MANAGEMENT PROCESS



- Departmental strategy is shaped by organisational strategy and leads to a structure to drive that strategy.
- The organisational structure defines the roles from which Job Descriptions are defined.
- Job Descriptions help to define the Competency Framework which creates the integration ability.
- Workforce planning is shaped by talent acquisition challenges, succession planning bench strength and changes in business strategy.
- Career and succession planning feeds learning and development needs and influences compensation strategies.
- Performance results influence sourcing strategies.
- Performance results influence compensation / merit pay decisions.
- Competencies provide a common platform to measure skills, identify gaps and drive recruiting and development needs.
- Competencies help employees prepare career and development plans.

The ultimate test of any system is simple: Does it improve decisions about vital resources where they matter most? According to Cascio and Boudreau they “envison a future in which leaders throughout organisations increasingly understand and are held accountable for the quality of their decisions about talent”.¹⁷

This is not possible without the systems that provide the information necessary for effective decision-making. Talent Management has the ability to provide this information.

¹⁷ Wayne Cascio and John Boudreau, “Investing in People: Financial Impact of Human Resource Initiatives”, FT Press, 2008.



Appendix A: Unemployment Rate by Country

The table below does not include all the countries, merely those that are of interest to us in South Africa. The table has also been sorted by global area, and the ranking is from worst to best, with the best being Monaco ranked at #181.

Africa

Rank	Country	Rate
#3	Zimbabwe:	80
#8	Zambia:	50
#9	Senegal:	48
#10	Lesotho:	45
#12	Kenya:	40
#13	Swaziland:	40
#24	South Africa:	25.5
#26	Botswana:	23.8
#30	Mozambique:	21
#57	Côte d'Ivoire:	13
#73	Egypt:	10.3
#83	Mauritius:	9.4
#126	Nigeria:	5.8
#129	Namibia:	5.3

Australasia

Rank	Country	Rate
#101	India:	7.8
#130	Australia:	4.9
#132	Hong Kong:	4.9
#146	New Zealand:	3.8
#152	Malaysia:	3.5
#164	United Arab Emirates:	2.4

Europe

Rank	Country	Rate
#50	Poland:	14.9
#90	France:	8.7
#94	Belgium:	8.1
#95	Spain:	8.1
#111	Germany:	7.1
#112	Finland:	7.0
#114	Italy:	7.0
#118	Russia:	6.6
#127	Sweden:	5.6
#128	Netherlands:	5.5
#137	Ireland:	4.3
#148	Denmark:	3.8
#151	Norway:	3.5
#154	Switzerland:	3.3
#159	United Kingdom:	2.9
#181	Monaco:	0.0

Americas

Rank	Country	Rate
#121	Canada:	6.4
#133	United States:	4.8
#172	Cuba:	1.9

Source: CIA World Factbook, 14 June, 2007