The New Realities of Talent Management

From workforce planning to performance measurement, a practical approach to managing the talent lifecycle in a slowing economy

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Webster Buchanan Research, December 2008

www.websterb.com

Published in association with Computers in Personnel

www.ComputersinPersonnelHR.com

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Executive Summary

This Briefing Paper explores the practicalities of Talent Management, a people management strategy that covers the entire employee lifecycle from workforce needs analysis to succession planning. Focusing heavily on performance management, it encompasses the core people management disciplines of workforce planning, recruitment, and employee development.

The paper looks at practical ways to implement a Talent Management strategy in current economic conditions, based on the belief that:

- Poor employee measurement practices prevent organisations from accurately identifying their weak and strong performers, hindering their efforts to reshape their workforce for today's tough economic conditions and prepare for longer-term recovery
- While employee development programmes, recruitment campaigns and jobs inevitably come under the axe during an economic downturn, pressure for effective Talent Management practices takes on greater urgency as organisations look to generate maximum value from their employee and contractor base
- Tough economic conditions force organisations to seek quick wins from their people management initiatives, which typically translates into a practical rather than purist approach to Talent Management. Executing a Talent Management strategy tends to be an iterative process, and there are opportunities for organisations to generate short-term returns while working towards longer-term strategic goals
- Much of the benefit of Talent Management comes from taking a more integrated, inter-departmental approach to setting objectives, incentives and rewards. While this puts demands on the supporting IT infrastructure, for many, the corporate mindset shift is as significant as the practicalities of improving data and process management
- Many organisations already have the bulk of the technology infrastructure required to support a Talent Management strategy in place – some of it 'shelfware' that's been purchased but not used. With an HR Management System as the core platform, the supporting infrastructure can be expanded through better use of this existing capability and tactical investment. Hosted services – a form of IT outsourcing – also provides a credible option for specialist software requirements
- Many of the principles of customer relationship management – applied in sales, marketing and customer service – can be applied to Talent Management, particularly Talent Acquisition. High-quality candidates remain in big demand even in a downturn, and will be lured through a combination of strong marketing and effective process management

Introduction: From grand vision to practical reality

Anyone starting out to build a Talent Management strategy could be forgiven for wondering whether it leaves any core components of people management untouched. While the term can be applied in different ways, a Talent Management strategy typically embraces every part of the employee lifecycle, starting with initial workforce needs analysis and talent acquisition, and moving through development, performance management and reward. In fact, it crosses over in large part with Webster Buchanan Research's definition of Human Capital Management, a term we use to describe the cycle of acquiring, developing, measuring, managing and leveraging your people asset base.

But while its remit is wide-ranging, Talent Management is best approached from a pragmatic perspective. Primarily, it's about maximising the skills, knowledge and competencies within your employee and contractor base, in large part by improving the effectiveness of your performance management practices. It's not about reinventing the entire way you manage people: rather, it's about refining and expanding the work you already do, and bringing a more cohesive approach so that the value of each activity is increased through better integration with every other. In short, it's an incremental rather than revolutionary strategy, offering a series of benefits that can be cherry-picked along the way – by deploying specific techniques in succession planning for example, or rethinking the way that workforce requirements are defined. These short-term gains are powerful weapons, particularly during an economic downturn, and provide useful proof points to convince any sceptics.

Three key components need to be in place to build an effective Talent Management strategy. Firstly, it relies on strong information and process management – as we explain in Part Three, many organisations will benefit from better using the tools already at their disposal, supplemented where necessary with tactical investment. Secondly, it requires commitment from board level downwards to executing a Talent strategy, something that may increase in urgency during a tough economic climate. Many companies pay lip service to the principles: but effective Talent Management is about putting those principles into practice. Thirdly, it requires a willingness to challenge established ways of working and a commitment to drive through change, often in sensitive areas such as compensation or termination. A recession doesn't make that kind of change easier – but it does force the issue.

These challenges shouldn't be under-estimated. But in an economy where the focus is on maximising value and cutting waste, the potential returns are high – and the potential damage from failing to act is significant.

Part 1: Workforce Planning and Talent Acquisition

1.1 Employees or customers?

It's becoming increasingly fashionable for HR and payroll professionals to borrow the terminology of their colleagues in sales and marketing when they talk about their internal business interactions. Many payroll contact centres refer to 'customer service' when they handle employee queries, for example, while some organisations refer to potential recruits as 'prospects' and 'leads'. It's not just a neat turn of phrase: there are significant parallels between acquiring and upselling customers, and recruiting and retaining employees. In fact, borrowing customer-centric practices is a key component of a Talent Management strategy.

These parallels between employee and customer management disciplines have been explored by experts such as Fred Reichheld, author and fellow of global consulting firm Bain & Co, whose work includes studies on the correlation between good employee retention, high customer satisfaction and strong financial results at high-performing US companies[1].

In a Report published in 2002[2], Webster Buchanan Research also explored many of these correlations to show how customer value and employee value both increase over time. The longer you keep a customer loyal, the more opportunities you generate for upselling them to other products, and the greater the chance that they'll refer you to friends and business partners. Likewise, the longer you retain an employee and keep them motivated, the more their skills, knowledge and productivity grow.

From a financial perspective, meanwhile, the cost of acquiring a customer is driven high by the sales and marketing resource spent on identifying suitable target markets, reaching out to them, engaging and ultimately closing a deal. The costs increase further when you weigh up how much more support a new customer typically needs when they first start using your product. But once they're on board and know a little more about their buying preferences, it's much easier to sell them something new.

It's possible to track a similar expense curve for employees. First-year costs are high because of the recruitment overhead (both direct costs such as advertising and the indirect cost of management time) and the high amount of

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[1] "The Loyalty Effect" and "Loyalty Rules!", by Frederick F. Reichheld, published by Harvard Business School Press.

[2] "People, Performance, Process and Profit: A new approach to Customer Relationship Management and Human Capital", published by Webster Buchanan Research, 2002 www.websterb.com

formal and on-the-job training required. But in successive years, while you still need to invest in training and may be paying higher salaries, a large chunk of that overhead is removed. In fact, the training cost may be better viewed as an investment, since its one of the many tools that can be deployed to encourage employee retention. In a tough economic climate, when employment opportunities are scarcer and switching jobs carries a bigger risk, high-value employees may be more willing to stay if they feel that their career is continuing to develop.

These customer management principles underpin a number of Talent Management activities. At a high level, they help to emphasise the value equation: no-one questions the importance of customers to an organisation, and similarly, no-one should question the value of employees. At a more granular level, as we outline below, they bring a new perspective to key components of the Talent Management equation, particularly recruitment.

1.2 Workforce Planning

While Talent Management is best thought of as a continuous cycle of acquisition, development and measurement, the logical starting point in developing a strategy is analysing workforce needs – particularly at a time when more jobs are being shed than being created.

The difficulty in many organisations is that human capital gets short shrift when it comes to strategic and operational planning. The people factor is never ignored in the planning process: payroll counts for such a huge chunk of overhead that headcount and compensation are key components of any business planning exercise, particularly when organisations are downsizing, breaking into a new market or preparing to acquire. What's often missing, however, is a comprehensive understanding of the quality and capability of the employee and contractor base. How are employees helping deliver against corporate objectives? Where are new skills needed? And how will their department's performance impact the organisation's ability to meet its objectives? In high-performing organisations, workforce planning, performance measurement and business planning go hand-in-hand.

From a people management perspective, workforce planning begins with an understanding of the skills and competencies required to meet business needs, and an assessment of whether those skills exist within the organisation. This often starts with a one-off competency management initiative designed to define the common capabilities needed at a high level, which are then weighted and interpreted according to job type and seniority. Typically, organisations then layer additional competencies on top of these universal definitions, taking account of the need for specific functional or technical expertise in some roles, and generic leadership capabilities in others.

These initial competency management programmes can be lengthy, and the HR sector is blighted by bad anecdotal experiences - like the large pharmaceutical company that spent two years simply running a pilot competency management scheme, or the county council that took six months to define five core competencies. In many cases, these kinds of problems can be overcome with a healthy dose of pragmatism: after all, competency programmes are merely guidelines, not end goals in their own right.

Once in place, competency frameworks provide a good platform for effective Talent Management. At a departmental level, they can be used as a framework for performance appraisals, allowing organisations to develop competency profiles of individual employees around agreed metrics and helping standardise a process that might otherwise fall victim to line managers' whims. By identifying strengths and weaknesses, these profiles inform decisions about training, career development, recruitment – and in some cases, disciplinary action and termination.

As we outline in Part Three, many broad-based HR software systems contain competency management modules. When combined with internet-based self-service and performance management capabilities, they provide easier data entry and information access for line managers and other employees who need to regularly update the competency database. Similarly, these databases can be fed from learning management and recruitment applications.

1.3 Rethinking recruitment

When Webster Buchanan Research carried out a survey of 100 HR managers earlier this year, one area that generated a surprisingly high degree of commonality in response was our questions about the nature of recruitment[3]. A huge majority of respondents – 85% - 'strongly agreed' or 'agreed' with the statement that "Recruitment should be viewed as a sales and marketing exercise, not purely an HR administrative task. You need a good corporate image, good marketing skills to identify the best candidates, and good sales skills to encourage them to join".

The same number agreed that "The professionalism of recruitment – from the design of your adverts and website to the way you respond to telephone enquiries – directly influences candidates' joining decisions." And a similar number – 87% - 'strongly agreed' or 'agreed' with the idea that "HR should actively seek to learn lessons from colleagues in sales and marketing in order to improve recruitment effectiveness".

[3] "Recruitment 2008: from marketing theory to the practicalities of web-based hiring", a survey of HR directors and senior managers published by Webster Buchanan Research, March 2008

As we outlined above, the parallels between customer management and employee management are strongest in the recruitment field, where there's growing recognition that candidates should be viewed in the same way as sales prospects. Even in an economic downturn, acquiring high-quality talent is critical to organisational success, and strong candidates need to be identified, quickly approached and sold to. The last point is particularly significant in Talent Management. Many organisations still take the view that candidates need to convince the hirer that they're right for the job – a perspective that's likely to be reinforced at a time of shrinking employment opportunities and high volumes of applications. But we live in an era of chronic talent shortages, and today it's equally encumbent upon employers to convince prospective employees of the merits of working at their organisation.

This process starts with the candidate's initial interaction with the prospective employer, which is increasingly over the web. The website needs to be smartly designed and easy to navigate, and should also promote the company and the benefits it offers. Most candidates will expect to be able to submit a job application over the web or make further enquiries about suitable opportunities. Once the application is submitted, the efficiency of the internal recruitment process will often determine whether a prospective employer is able to move quickly enough to beat off rivals to a strong candidate's signature, so a good recruitment software infrastructure can make the difference between hiring and missing out.

Like customer management, a Talent Management strategy recognises that when a customer approaches an organisation for the first time, it may not result in a sale – but the relationship should be sustained to see if future opportunities generate better results. This approach is sometimes referred to as Candidate Relationship Management – a twist on the concept of Customer Relationship Management. By establishing the kinds of roles that a potential candidate might be looking for and fuelling their interest in the company, organisations can quickly reignite the conversation when an appropriate opening comes up.

Talent Management strategies also focus hard on recruiting from within. One advantage of building a competency framework is that it highlights individual skills that may have been unknown to the organisation simply because they weren't being used – this could apply to anything from language skills to unrelated work experience earned with previous employers. Organisations that are serious about maximising their talent will also look at transferable skills, recognising, for example, that an employee in a support function who has strong people-based skills and the ability to spot business opportunities may be able to make the transition to a sales role. This kind of analysis should be deployed in the performance appraisal and succession planning cycles outlined in Part Two.

Part 2: Performance, Development and Compensation Management

2.1 Reassessing Performance Management

One of the key challenges in performance management is that it means different things to different people. For HR administrators, it's largely a process – a six-monthly or annual employee appraisal cycle that has to be managed, usually in the face of some line manager resistance. Line managers themselves see it differently – either as a personnel management chore based around a series of appraisal meetings with individual employees, or a team initiative focused on output quotas, sales, or customer satisfaction metrics. Finance might take a compensation-centric perspective, focusing on the links between performance and reward or examining the impact of departmental performance on profitability.

All of these components are correct in their own right: but what's missing is a high-level Human Capital Management perspective that wraps them all together and links individual, team, divisional and corporate performance with incentive and reward.

Pulling these different strands together can be challenging, not least because performance management practices are often firmly embedded within organisations and tend to evolve in ways that suit individual business activities. At a functional level, the goals and metrics used to measure individuals and departments are usually built around what's assumed to be industry best practice for that profession. Call centre agents, for example, may be measured on the volume of enquiries they handle and speed to resolution: marketing managers on the return generated by specific campaigns, or broader metrics such as consumer brand awareness: and sales executives on revenue earned.

One of the problems with these metrics – and one of the benefits that comes from revisiting them as part of a broader performance management programme – is that they can distort true objectives. Incentivising call centre agents on call volume, for example, may help companies keep waiting times down – but it doesn't encourage an agent who spots an upselling opportunity to probe it further with the customer and pass on the lead to sales. Likewise, in multi-product sales environments, it's often more useful to mix revenue targets with broader corporate goals for profitability or share of specific markets. The same is true within HR, of course: many of the metrics used to measure HR professionals are focused more on operational prowess (such as number of vacancies or time to hire in recruitment) than the impact on the business (e.g. the quality of people hired or the impact on the business of particular vacancies).[4]

The problem with centring a performance management strategy on metrics that don't truly reflect organisational need is that it's hard to assess the outputs in a broader context. In tough economic conditions, organisations that are looking to weed out poorer performers need to be able to understand performance not in departmental terms, but in terms of their value to the overall business.

2.2 Aligning corporate performance, incentive and reward

This confluence of conflicting metrics can have a significant business impact. Take the fictional example of a specialist goods supplier operating in a highly-competitive market, where margins are under pressure. The board has committed to limiting further margin erosion – partly by changing the market's value perceptions, and partly by focusing more closely on retaining and upselling existing customers, which, as we outlined in Part One, tends to be more profitable than acquiring new clients.

Briefed on the strategic goal, the marketing director kicks off a promotional campaign designed to position the company not as the cheapest supplier, but as the best combination of top-quality products and high satisfaction. The campaign's effectiveness is measured through awareness surveys among the existing customer base and the wider market, and the initial results are promising.

The operations teams, meanwhile, play their part by continuing to drive down costs in procurement, manufacturing and logistics, following a well-established policy of sacrificing some degree of supply flexibility in favour of reducing plant overhead and inventory. Each team is primarily measured on how effectively they cap total expenditure – and again, results are good. Over in customer service, the call centre agents work with a new set of metrics that balance call volume and duration with exceptions for existing customers that surpass a crude value threshold. For its part, the sales team continues doing what it's always done, focusing its efforts on revenue generation and pursuing aggressive sales targets.

As the quarterly sales cycle nears an end, however, the company runs into a familiar problem, with sales staff struggling to hit their targets and close deals. The board agrees that some level of profitability can be dropped to retain revenue goals and market share, and the sales director approves a discounting strategy based on long-standing pricing guidelines. The strategy works in that

[4] See 'People-based business intelligence: from HR efficiency to business trend analysis: A practical guide to delivering meaningful people-based information', published by Webster Buchanan Research, July 2008 www.websterb.com

the volume of deals climbs to meet revenue targets, but it comes at a price. As expected, gross profitability drops, impacting the core corporate goal of sustaining margins – something the Board saw as unavoidable for this quarter once a discounting strategy was pursued. But the fallout isn't merely financial. Discounting also undermines the 'value' message promoted by marketing, rendering some of that spend redundant. In addition, because unit volumes have to increase in order to meet the pre-existing revenue targets, production and logistics struggle to meet the spike in demand with their reduced inventory levels. That leads to delays in product delivery and undermines customer satisfaction.

Despite this, from an individual and departmental performance management perspective, each team has met its goals – revenue targets have been hit; the marketing campaign was successfully executed; production costs were reduced; and the customer service team met its new objectives.

The goal of a corporate-wide performance strategy is to bring greater coherence to the different incentives, metrics and rewards that come into play within an organisation, so that each component is targeted and rewarded in the context of every other goal, with a view to achieving top-level objectives. What this means in practice is that as organisations agree their strategic objectives at board level, these goals are cascaded down the corporate hierarchy to subsidiaries, divisions, departments and individuals. In turn, performance metrics are adjusted accordingly, and the tools used to achieve those objectives – from recruitment to employee development – are viewed in that context. Just as important, compensation can be better aligned to both individual and corporate objectives.

Importantly, this is a multi-layer communication process: as the goals are cascaded down the structure, so each level of management can push back to give their input and if necessary, refine the objectives. In the scenario of the specialist goods supplier above, for example, a good first step would have been to incentivise sales on both profitability and revenue: a good second step would have been for production to be made aware of the renewed focus on customer satisfaction, and to discuss with the Board where the balance between cost-cutting and supply flexibility should lie.

As we outline in Part Three, achieving this level of integration between objectives, performance measurement, development, incentive and reward requires some degree of integration in the supporting infrastructure.

2.3 Development and succession planning

In addition to aligning performance goals with appropriate incentives and rewards, a fully-fledged Talent Management strategy takes account of employee development. It's tackled both from the individual perspective –

through career planning, training and learning – and also from a corporate perspective in terms of succession planning.

Training, of course, tends to be one of the first casualties of a downturn – but it's not only economic conditions that impact its success. Frequently identified during the course of a formal performance appraisal, training needs are often managed through a largely unconnected process – and inevitably, momentum is lost in the time between isolating a learning requirement and taking all the steps towards finding and delivering an appropriate training service.

By imposing a more holistic approach and casting training in the context of group objectives, organisations raise the stakes: training is no longer a nice-to-have, it's a stepping stone to achieving corporate objectives.

Succession planning, meanwhile, has long been overlooked in the people management field, despite the fact that it's a key component of multiple aspects of Talent Management including needs analysis, recruitment and employee development. Many organisations continue to see it as the exclusive domain of senior management, playing little more than lip service to the concept.

In practice, however, many high-performing organisations see it in a far broader context. The issue is not just about who's going to replace the CEO and other board members: it's about understanding which roles are critical to your organisation, regardless of the seniority. What will you do if you lose a sales manager who's developed a strong business relationship with one of your top clients? What happens if a product specialist quits? How will you cope if you lose the only payroll administrator in your organisation who understands how your ageing, unsupported software system works?

By identifying key roles and mapping potential successors, organisations can ensure that they tailor their employee development programmes to meet potential critical demand. It's particularly important to ensure that the planning is coordinated centrally across an organisation: it's not uncommon for one highly talented individual to be placed on separate succession plans by different managers, exposing every other post when they eventually take up a new position. Understanding these issues enables organisations to reduce business risk – and in fact, some HR professionals argue that succession planning is as much about risk management as about people management.

Part 3: A Pragmatic Approach to Software and Services

3.1 A platform for effective performance management

Whether by accident or design, every organisation will have at least some of the core components of a Talent Management infrastructure in place within their HR function. How suitable that existing infrastructure is for the long-term depends on whether:

- All the key disciplines of a Talent Management strategy either have been or can be automated. This includes disciplines such as succession planning, which are typically given less attention than they merit. In some cases this automation can be provided by specialist third party providers
- The set-up supports internet-based self-service, which helps reduce administrative overhead and improves access to information for employees and managers
- The different components can be sufficiently integrated to support a cohesive, inter-disciplinary Talent Management strategy
- There is a central data store to manage employee- and contractor-related data

Typically, the core platform for Talent Management will be an organisation's HR Management System, which consists of the central employee database (*see Part 3.3 below*) and a number of software applications relating to specific disciplines. These applications either come bundled with the HRMS or are available as additional modules, either from the HRMS supplier itself, a partner or an unrelated third party.

A growing number of vendors now offer software systems as hosted services, otherwise known as software as a service (SaaS). A form of software outsourcing, in a SaaS set-up the vendor runs and manages the software on its own system, and the customer accesses it over the internet to use in the same way it would work with an in-house server. As well as removing IT hassle, this approach has the advantage of enabling customers to spread the cost of purchasing software, compared to a typical on-premise project which typically involves an upfront licence fee and implementation charges.

Hosted services are particularly suited for specialist services that can be fed into the central HR system, such as recruitment or compensation planning. Recruitment, for example, is largely a standalone process – job requirements are inputted at the start of the process, successful candidates are delivered at the end – which makes integration with a central HRMS relatively straightforward. Some vendors are now starting to offer fully-fledged HR systems as a SaaS set-up.

3.2 Self-service

Self-service capability enables employees and managers to access parts of the HR system over the internet, enabling them to get hold of information and, in some cases, to trigger actions. At a very basic level, it eliminates the need for employees to fill in paper forms to inform their employer of basic personal data changes, such as a change to their bank details or home address, which subsequently have to be rekeyed by HR. Instead, employees enter their own information straight into the system, with access permissions closely managed for security and privacy purposes. They can also check information such as benefit entitlements, past pay history or vacation days – information that would otherwise have triggered a request for help from HR.

More interactive self-service applications allow employees and managers to carry out a range of activities that are key to Talent Management. Employees can sign up for training courses, for example, with workflows routing the request to managers for sign-off: similarly, managers can enter summaries of employee performance reviews direct into the HR system, which can then be viewed by both parties going forward[5].

3.3 Data management

From an administrative perspective, the heart of the HR Management System is a central employee database that stores all information related to the individual, from personnel records to data about job histories, skills and competencies. The need to centralise this data storage is compelling: reducing data duplication removes significant administrative overhead and more importantly, helps keep data accurate and up-to-date. Ease of data entry is also important: the easier it is for employees, managers and HR personnel to enter data, the more likely it is that it will be kept up-to-date, so strong integration with other systems and good self-service capability are key weapons here (*see Part 3.6 below*).

In an ideal set-up, the core employee data set will be used as the central record for every system that requires people-related information, from payroll and finance to front-of-house security and car fleet systems. Ultimately, as long as the core HR record can be easily but securely accessed by other systems, there is no point in building duplicate records.

Many HR software systems allow you to store contractor records in the same database as full-time and part-time employees. As well as recording basic information about the types of projects they've worked on and their employment histories, you can also build up profiles that include contractor competencies and performance assessments, and link to pay details.

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[5] See 'Beyond Efficiency: building a broader business case for HR self-service', a report published by Webster Buchanan Research in November 2007 www.websterb.com

3.4 Data and information sharing

Ultimately, the real value of the central data store comes not from how it's stored, but from how it's used. Over the years, the software industry has developed a number of techniques to better distribute information to managers and employees, including executive and employee dashboards that provide snapshots of information about individual, departmental and corporate performance and enable recipients to drill down for more detail, subject to permission settings. In some cases, these systems will generate alerts to team leaders and senior executives when pre-set performance parameters are breached, allowing them to manage by key performance indicators.

This kind of performance management, based on a combination of near real-time data and trend analysis, marks a huge step forward from traditional management reporting that relied primarily on production of monthly reports. It also provides a means of incentivising employees: if you see a personalised performance snapshot each time you access your employee portal, it has far more immediacy and impact than a quarterly review.

Some vendors have also begun to adopt social media techniques into their offerings, allowing employees to create and update personal profiles using techniques such as tagging. One advantage of this kind of internal social network is that it increases the visibility of employees outside their department, enabling line managers to explore new internal talent pools.

3.5 Automating key disciplines

HR Management Systems include a number of software applications designed to support individual Talent Management disciplines. In many cases, vendors provide basic level capability 'bundled' in with the core system – such as an Applicant Tracking System for recruitment – and then offer add-on modules with more sophisticated capability, provided either by themselves or by third parties.

Many organisations are unaware of exactly what capability is available in their existing systems. HRMS tend to be implemented with immediate needs in mind, and bundled applications that don't meet a current requirement are often left for a future implementation – one that often doesn't happen. It's quite possible that you already own specific capability in areas such as competency management that simply need to be set up and configured.

Key disciplines to automate include:

Workforce planning and objectives management

As we outlined in Part One, workforce planning is a core component of overall business planning, but one that sometimes gets less attention in executive circles than more traditional financial and sales planning activities. There are a number of workforce planning systems available, however, which allow organisations to model different scenarios and integrate the data with traditional financial planning, modelling and budgeting software.

The outputs of these planning exercises can be managed through software applications that enable organisations to share corporate goals, cascading objectives through the organisation as far as the individual employee. These are sometimes supplemented by social media-style collaborative tools, designed to help cross-functional teams meet common objectives.

Competency management systems may be incorporated as part of the planning process to help organisations define the capabilities they need, including skills, knowledge, personal characteristics and experience. These competencies can be used as the framework for measuring both existing employees and prospective recruits, as well as for collating aggregate information about your workforce's collective strengths and weaknesses. Many HR Management Systems include a competency management or similar module.

Recruitment

The recruitment software market has seen significant advances in recent years, both from mainstream suppliers and specialist providers, in part reflecting the rapid growth of web-based recruitment. While many HR Management Systems are supplied with applicant tracking systems built in, most organisations handling a significant volume of applications and posts will want to look at what specialist systems are available. At the front-end, the quality of the recruitment web interface is critical – it is, as we outlined in Part One, your way of marketing to prospective employees – and most organisations will want to accept job applications through their website and from third party job boards. Depending on the volume of applications and the need for speed, it's also possible to automate most of the associated 'back-office' processes, using workflows to manage each stage from interviewing, through background-checking, approval and job offer, to onboarding (the period between an employee accepting a job offer and becoming productive).

Capability varies widely. Some recruitment software, for example, helps you filter CVs by identifying relevant skills and competencies, which is particularly helpful if you're handling high volumes.

Performance, Compensation, Development, and Succession Management

Focused on individual employee assessment, performance management applications automate much of the administration of the appraisal process and also help capture the outputs. The administrative headache can be eased by using workflows that drive activity through each stage of the process, while written reviews can be submitted in online forms or, in some cases, as PDF attachments. The system should be easily configurable to meet the specific needs of your organisation or individual departments, and include reporting tools to give management insight into individual and aggregated performance.

From the development perspective, most HR Management Systems include basic training management capability, limited to administrative activities. Additional capabilities extend as far as full-blown specialist learning management systems, that manage the content and processes associated with a broad mix of blended learning, from online to classroom-based activity.

Succession planning systems are primarily assessment and modelling tools that enable you to identify suitable candidates for critical roles – ideally by drilling into individual employee data and organisational structures from within the application. As we indicated in Part Two, it's important to ensure that multiple roles do not rely on heavily on one candidate.

Finally, some components of workforce performance management, including compensation modelling, cross the boundaries between HR and finance, and as we outline below, data needs to flow easily between the two.

3.6 Integration

The main advantage of using an HR Management System from a single supplier is that many of the different components will be pre-integrated, making it easier to support an inter-disciplinary Talent Management strategy. Integration has always been central to the debate between two different approaches to HR software: using a centralised, single platform on the one hand, and on the other a best-of-breed approach that allows companies to mix and match software from different vendors, but ideally still built around one central database.

This issue shouldn't be overplayed: depending on the software application and the degree of data transfer required, the level of integration work is often easily manageable. But it's a question of degree. Organisations that rely on a mish-mash of paper-based processes, standalone spreadsheets, home-grown systems and the odd packaged software system may find that the burden of integrating every component is too high. In these cases, migrating to a centralised HR management system may provide them with a better long-term platform for Talent Management, leaving aside the other benefits that come from modernising HR processes, centralising data and providing a foundation for strong reporting and analytics.

Either way, the need for a central data store and cross-disciplinary, integrated workflows becomes apparent even at the relatively simple level of an individual performance appraisal. Take the scenario where, during a review, the manager and employee identify a competency that needs improvement – such as communication skills. This will be recorded in the appraisal summary and may also need to be flagged in the competency module. Ideally, as a follow-up to the review, the employee will assess what training courses are available on the company intranet and request permission to attend a course through HR self-service. Pre-configured workflows will route the request to the manager for approval, and this in turn will trigger an action for the HR or training department. The process continues once the course is completed, with the employee entering feedback and trainer rating into the system, and their attendance at the event being automatically logged in both the appraisal and training systems.

Not only does automation cut out the administrative overhead associated with these kinds of interlinked processes, it also improves the fulfilment rate – after all, without close supervision, there's no guarantee that training decisions made in reviews will be followed through on. More strategically, it allows the organisation to move from assessing individual performance to assessing the performance and effectiveness of the overall training programme – demonstrating once again how better Talent Management at an individual level feeds through into broader corporate benefits.

End Notes

About the Author

Keith Rodgers is co-founder of **Webster Buchanan Research**, a market research company specialising in business management and the supporting role of technology. Webster Buchanan's primary focus is on People Management, Multi-country Payroll, Customer Relationship Management, and Financial Management. The company is based in London, San Francisco, and Hong Kong, with an office opening in Singapore in January 2009. For more information and copies of recent research reports, visit www.websterb.com.

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