

# HRO TODAY

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FEATURE:

TALENT MANAGEMENT

## High-Performance Talent Management: Driving Business Value from HR and HRO

*Taking a holistic approach to developing and managing talent can help your organization drive better business results from your HR and learning outsourcing program. By Sian Beacham and Craig Mindrum*



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**C**hanging one's name is sometimes a great way to boost an image. Just ask the singer born as Arnold George Dorsey—who enjoyed little success until his agent gave him a new, attention-grabbing name: Engelbert Humperdinck.

A name change for entertainers is one thing, but for business functions, they are another. What, if anything, changes when executives running an HR department get a new name plate on their doors announcing that they are now in charge of something called “talent management?”

It's a fair question, and one we hear frequently these days, not only from HR practitioners but their bosses and customers as well. “How does the idea of ‘managing talent’ get me closer to my goal: a workforce with capabilities that can truly differentiate our company in the marketplace?” they often ask.

If talent management is just a new name for the same old idea of individual employee lifecycle services—hiring, training, performance management, and retention—then the opportunities to drive new kinds of value from the HR function are pretty limited. If, on the other hand, talent management represents not only a way to understand the strategic importance of the workforce but also to more consistently align performance with business strategy and deliver better business outcomes, then it's an evolution of management theory that warrants our attention.

We believe the second option is the proper one. If tal-

ent management is strategic, integrated, and capable of driving business results, then it is something we will call “high-performance talent management.” It offers the promise of achieving and sustaining greater business value by creating and continuously optimizing all the talent-related initiatives and the talent resources needed to execute business strategy. It also offers the opportunity to plan and manage HRO initiatives in a way that maximizes the value of such arrangements—not just generate cost savings but create the means to improve business results.

### STRATEGIC-VALUE CREATION

Whatever name you call it, the HR function at most organizations does not currently receive high marks from the C-suite. Accenture's most recent High-Performance Workforce Study—a comprehensive analysis based on surveys and interviews of 251 senior executives across six countries—shows that executives' satisfaction with HR performance is not always high. Only 11 percent of respondents said they are very satisfied with the performance of their HR function, and just 10 percent said they are very satisfied with the learning function. Only 19 percent said that their HR function was performing at the highest level.

Part of the issue here is the perennial lament that HR doesn't often act as a strategic partner to the business. Yet for all the calls made by senior executives to recreate HR as a strategic force, their actual programs and investments often paint a different picture. Consider, for

example, the fact that low percentages of executives surveyed in the study (ranging from 19 to 34 percent) indicated that the heads of their top workforces (sales, service, finance, etc.) are actively involved in HR management initiatives. It's hard to meet the needs of a line of business if the head of that line isn't actively partnering with HR to set workforce strategy and put the right capabilities in place.

Or consider that nearly 40 percent of executives said they have no formal measures in place to gauge the impact of their HR and learning efforts on the performance of their top workforces. For years, workforce measurement has consisted mostly of measuring activities related to HR transactions and then trying to improve the performance of those numbers. You get what you measure, as the old saying goes. Instead of measuring the impact of HR, organizations need to measure the business value created by the workforce.

The absence of deeper business perspectives and metrics when it comes to HR is then often reflected in HRO initiatives. While many organizations have improved basic HR transactional capabilities, "better, faster, cheaper" may not be enough. Global workforce trends are distressing: record attri-

tion and retirements, a shortage of new entrants, skills shortfalls, globalization, and service delivery demands. The failure to address these trends systematically is likely to snowball into the loss of critical skills and corporate knowledge, the failure to attract, develop and retain the best workers, and the failure to maximize an organization's global sourcing pool.

This brings us back to the central question: How can HR become a stronger partner in creating business value?

**WHAT IS TALENT MANAGEMENT?**

We define high-performance talent management as the planning and execution of an integrated set of management processes that drive business value by creating and continuously optimizing workforce talent. The phrase itself incorporates several key themes:

■ **It's about Talent.** The words we use reflect our attitudes. Unlike a "resource" (which can only be depleted) or "capital" (which is an economic abstraction), "talent" is a word that carries a value statement. Borrowed from the world of entertainment (in a movie studio, there is management and then there is "the talent"), the word correctly connotes the fact

that the people carry the value of today's companies in their heads and demonstrate that value in their performance.

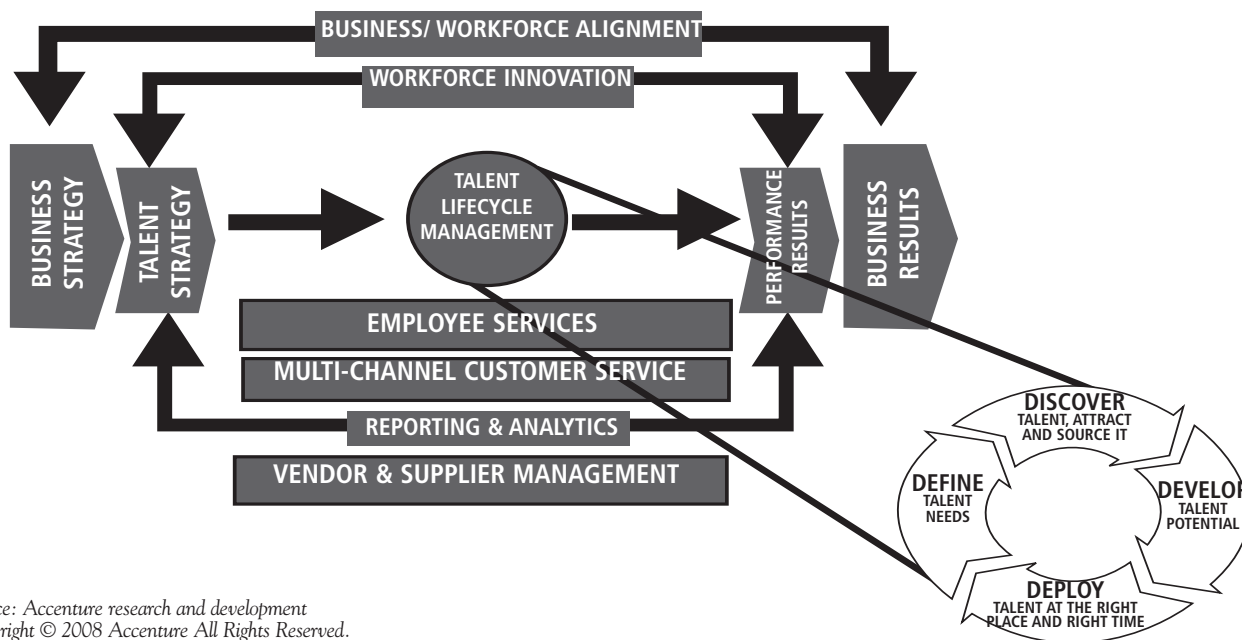
To achieve sustained economic performance, companies no longer manipulate interchangeable cogs in a machine; they are dealing with the very source of that economic performance and attempting to "multiply" its effect. With the right management focus, sound investments and a supportive culture, organizations can manage talent assets so that the whole is greater than the sum of the parts.

■ **It's about Specific, Integrated Management Techniques that Multiply Talent.**

The potential value in a company's people must then be managed to multiply that value. And the ability to manage talent well will separate the high-performance businesses from the rest. Effective management of talent has a number of critical components that must be treated in an integrated fashion:

- Creating and industrializing a unique talent strategy in light of the overall business strategy;
- Defining and deploying talent through targeted sourcing, recruiting, and workforce planning;
- Developing deeply specialized workforce

**FIGURE 1: HIGH-PERFORMANCE TALENT MANAGEMENT IN AN OUTSOURCING ENVIRONMENT**



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talent through learning and collaboration solutions;

- Measuring and managing the performance of people, aligning rewards and incentives with business results; and
- Finding new sources of value in workforce performance through innovation and continuous improvement.

■ **It's about Driving Business Results and High Performance.** Talent management drives business performance because it is informed by strategic intent and focused on bringing about business outcomes based on that intent. Our research suggests that high-performance businesses are those that understand that the optimal execution by the workforce is a strategic capability and that managing the performance of people with rigor and aligning that performance with the needs of the business is essential.

The three primary themes of high-performance talent management can be seen operating in Figure 1. The picture incorporates the components that are often top-of-mind to those seeking an HRO provider: employee services, multi-channel customer service, and vendor management. However, these components are then placed in a larger business and economic context that includes managing the talent lifecycle and aligning workforce performance with business results.

### TALENT LIFECYCLE MANAGEMENT

At the heart of it all is the talent lifecycle, which we describe as defining talent needs; discovering and attracting talent and hiring the best qualified; developing that talent through learning and collaboration; and deploying it through the management processes that put the right people on the right tasks to maximize business impact.

That traditional idea of managing the talent lifecycle is then more properly contextualized in Fig. 1 by showing that its value is only achieved by acting in accord with a business and talent strategy, and then delivering workforce and business performance results traceable to the activities of talent management.

Properly designed and delivered, an outsourcing arrangement focused on the talent lifecycle delivers value in several new and important ways in a high-performance talent management context.

### ■ Accelerating Value through Competency



**Frameworks.** Working with an expert outsourcer, a company can develop industry- and workforce-specific competency frameworks delivered as a part of the talent lifecycle management suite, creating the backbone of how to apply these services in practice. The competency frameworks can be used as the basis for evaluating performance but also to develop interview guides, assessment tools, career development plans, and a learning curriculum so that the company and the HRO provider can immediately apply the service in practice. Competency frameworks can accelerate the entire “define, discover, develop, and deploy” model at the heart of high-performance talent management.

### ■ Aligning Candidates with Business Needs through Assessment and Screening Services.

HRO can also add additional value during the recruiting and hiring phase by helping to ensure a better fit between the recruit and the company's business goals. Whether a candidate comes to the attention of a company through face-to-face screening or through the web, assessment principles can be used by the outsourcing provider to determine cultural fit, validate skills and capabilities based on competency models, and determine the longer-term potential of candidates.

### ■ Maximizing the Business Impact of Learning and Development.

In recent years, learning outsourcing has advanced progressively along the maturity curve. A majority of the executives in the Accenture survey were already outsourcing some portion of content

development, learning delivery, technology, and facilities. The impact of learning outsourcing is improving for at least a couple of reasons. First, learning is being integrated with other key components of the talent lifecycle including career development, appraisals, and incentives. Second, companies are using learning outsourcing more explicitly in support of major business goals.

For example, at Telstra, Australia's leading telecommunications and information services company, a transformational business strategy was put in place to increase revenues and strengthen the company's market position by providing new, integrated services targeted to business and consumer segments. Telstra's executive team was committed to developing the workforce skills needed to execute the strategy and backed up that commitment up with a significant investment (AU\$200 million). The Telstra Learning Academy, delivered through an outsourcing arrangement with Accenture, is the outcome of that investment. Programs delivered through the academy cover field technical, network operations, construction, engineering, IT, product management, billing, and procurement staff. According to Telstra Network and Technology Executive Managing Director Dan Burns, “Telstra wants the best-trained telecommunications workforce, whether it is field staff, network engineering, or marketing, so that we are competitive and world class.”

In general, an outsourcing provider is unique-

ly positioned to improve the business value delivered by a company throughout the talent lifecycle. With a global view across all the relevant dimensions, a provider can be a catalyst to bring together disparate initiatives and a facilitator to ensure alignment and focus. This not only eliminates redundancies but also helps

both worlds from Business Interlock; they can drive toward greater efficiencies based on a variable cost structure for HR and learning services while at the same time take advantage of proven practices for identifying ways to optimize and quantify the business value generated from those services.

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the client multiply its talent—maximizing the synergies among the different components that can increase the overall value being delivered.

#### BUSINESS-WORKFORCE ALIGNMENT

The ongoing alignment of workforce policies, investments, and performance with an organization's most critical business needs is part of the more strategic contextualizing of talent management. We call this "Business Interlock"—a process with services, interactions, metrics and reporting capabilities that help organizations optimize HR and learning operations and measure the strategic and business impact of their HR programs.

Delivered as part of an outsourcing relationship, organizations can get the best of

Ideally, an HRO provider can create a "two-way" flow of value using Business Interlock. In one direction, there is value flowing from the provider all the way up to the business strategy, quantifying the value of the overall talent management agenda. In the other direction, business events and metrics flow from the performance of the company back to the provider. With adequate reporting and analytics in place, the provider can then help the company to sense and respond to business changes, modifying talent strategies and programs to keep everyone focused on the right business outcomes.

One of the more exciting developments on the horizon in the area of reporting and analytics is what we can call "predictive"

capabilities. Instead of looking only at lagging indicators—rearview-mirror numbers, as it were—companies want to develop the capability to look out the front window, to see what's ahead. Here, the possibilities of the relevant technologies are fairly exciting. They offer the possibility of analyzing mass data sets and then modeling a causal effect between how individuals are managed and motivated, and how they can perform more optimally. With better analytics in place, companies also have a chance to harness innovations as they occur, delivering them back into the overall talent management system to drive better performance. And with the right metrics in place, organizations can monitor how effectively their talent—and their HR organization—is delivering business value through the HR outsourcing arrangement.

Some aspects of high-performance talent management as a guiding principle of HRO are still visionary at this time, but the basic capabilities can be delivered today. Indeed, companies can immediately target greater sources of value by pursuing a more integrated approach to outsourcing across the entire "define, discover, develop, deploy" talent lifecycle, supported by more effective alignment or Business Interlock activities. They can then begin gradually putting in place the other capabilities that can, eventually, transform themselves into a truly talent-powered organization. **HRO**

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