Talent is the lifeblood of successful businesses, and talent management professionals play a vital role in meeting current and long-term business needs. However, the environment in which talent managers work is undergoing a radical transformation, and a raft of factors — including technological advances, shifts in consumer preferences, generational differences, geopolitical changes, and certain critical skills shortages — has made their task increasingly complicated. Not only must they now optimise talent across a global pool, but they also need to actively manage their company’s internal talent pipeline, leverage a portfolio of experiences to prepare high-potential employees for critical roles, and move away from knee-jerk intuitive “hunches” to long-term, holistic decision-making. That’s no mean feat.

All large businesses will be familiar with the concept of the S-curve, a way of capturing the life cycle of any new initiative or project. As Figure 1 below shows, in the early days, much time is spent introducing the new concept, ironing out any wrinkles, and bringing people up to speed with it. There is usually little improvement in performance at this stage but, following a steep learning curve, positive changes come thick and fast before eventually tapering off and plateauing.

KICKSTARTING THE TALENT S-CURVE
So how can talent managers be one step ahead, to move to the next S-curve and the next level of outstanding performance at the right time? In our view, they need to join the vanguard of change, to challenge the status quo by asking tough “why can’t we ...?” questions, and most crucially, to update their approach to the whole gamut of talent planning, from recruitment to retention, promotion, and development.
This article offers insight into how talent professionals can genuinely start to shift the paradigm, and how Mercer research can support their efforts. More specifically, it will look at the four key shifts needed to jump-start the talent S-curve.

1. UNDERSTAND THE NEEDS AND DYNAMICS OF CRITICAL TALENT POOLS

Intuition has its place in business — but not when it comes to managing human capital on a global basis. Understanding the shape of a given country’s existing working population and being aware of ongoing and potential challenges can help businesses better plan their talent strategy and ensure that it ties in to broader commercial objectives.

The Human Capital Index (HCI), developed recently by Mercer in partnership with the World Economic Forum, helps organisations do precisely that, and tracks the development and deployment of human capital internationally. Based on data gathered on four key research “pillars” — education; health and wellness; workforce and employment; and enabling environment — the HCI ranks 122 countries and regions and compares how they rate across 50 metrics that quantify how well human capital is developed, nurtured, and deployed as a productive asset. The report is a valuable indicator of existing human capital risks, such as extensive youth unemployment and the crisis levels of jobs/skills mismatch, but it is also a predictor of issues that may escalate should no action be taken to address them, such as ageing workforces and obesity.

Additional indicators — for example, GDP per capita and the gender split across the workforce — combine to give a 360-degree view of a country’s critical talent pools. In analysing these data, talent managers will be better placed to influence their organisation’s growth and diversity strategies, determine talent-sourcing strategies, and target investments — all of which will ultimately have a beneficial effect on the bottom line.
2. QUANTIFY WHAT IS HAPPENING INSIDE THE TALENT PIPELINE:
THE DYNAMICS OF THE INTERNAL LABOUR MARKET

Analysing the flow of labour within an organisation can offer unique insights into how talent is moving internally — or not.

Mercer’s Internal Labor Market (ILM) Analysis® helps explain movement within workforces by creating “maps” that summarise important rates and flows of employees by career level in, through, and out of the organisation.

Figure 2: Internal Labour Market Map

In the example above, the shape of the ILM is defined by the horizontal bars that represent the total number of employees at each level. Arrows depict the flow of talent: dark purple arrows show the three-year average of turnover, light purple arrows indicate the three-year average number of hires at each level, and the vertical arrows designate promotions.

By interpreting ILMs, talent leaders can get a better fix on issues such as:

• Shape: does the organisation, business unit, or function look as expected? What should the ideal shape be, given its business objectives?

• Flow: are there certain points in the level structure where there is an over-reliance on external hiring, or choke points where promotion opportunities are limited and thus are causing unwanted turnover?

• Attrition: which levels see the highest churn rates?
As valuable as this insight is, it really starts to earn its keep only once it is translated into action — identifying blockages in the pipeline is one thing, but unclogging it is quite another. Ideally, talent managers need to adopt strategies that eliminate barriers and facilitate seamless upward flow. Very broadly, making great critical hiring decisions and removing the “blockers” that impede high-potentials’ progress should result in the upward progression that also leads to the desired level of churn. Depending on the overall shape shown on the ILM, some organisations will also need to create “stepping stone” roles that allow high-performing junior employees opportunities to develop professionally.

3. SHAPE A PORTFOLIO OF EXPERIENCES FOR CRITICAL ROLES

Identifying critical roles is essential for a business’s ongoing success. It is all too easy to describe every role as critical, or to assume that the only critical roles are those that report directly to the CEO, but in fact there are four key categories of critical role: strategic, specialist, non-core, and core. Once these roles are identified, talent managers can turn their attention to defining the future-focused competencies and portfolio of experiences that can shape the development of employees in these roles, such as:

- Creating a customised mix of stretch rotations geared to the destination role.
- Encouraging lateral career trajectories through different functions or roles (for example, broad technical expert, intra-functional expert, or cross-functional expert).

A typical critical role for a multinational organisation is the general manager, the individual responsible for managing the P&L of an operation in a given country and who therefore has a significant impact on overall business results. So, when mapping the paths to such a critical destination role, it is important to describe the competencies using the widest lens of a “whole leader” — one such segmentation is known as “head, heart, and guts” — and then to identify learning and development opportunities for each competency. “Head” includes more cerebral skills, such as business and financial acumen; “heart” encompasses interpersonal or relational skills; and “guts” includes more transformational skills, such as the ability to operate in a global environment and manage disruptive change. (“New age” technical skills, such as social intelligence, cognitive load management, and design thinking, will also be helpful.)

It is usually the high-potentials within an organisation that will be considered for the general manager role in due course, and they will benefit from assignments that take them out of their comfort zone, such as managing a turnaround situation, leading large teams, or undertaking global assignments, and which help them gain the hands-on experience they need. It is essential, though, that these developmental journeys are tailored to the individual so that the candidates are able to improve in areas in which they are relatively weak — a one-size-fits-all approach is not the way forward here.
4. APPROACH TALENT MANAGEMENT DECISIONS WITH A LONG-TERM, STRATEGIC FOCUS

The best leaders know how to make strategic, data- and logic-based decisions in order to develop and manage assets such as capital or brands, but they often fail to be as rigorous with the decisions they make about talent. And that is both a shame and a missed opportunity: strategic talent management is actually composed of a series of decisions, from who gets promoted (and when), to who should take on a mission-critical assignment, or who should get rewarded and for what.

We have found that when compared to classic decision-making criteria, talent management is lacking on all fronts. For example, in an ideal situation there should be clear criteria agreed upon in advance, a basis for the decision (that is, facts and logic), scope (a full system perspective), alternatives (an exhaustive set of options developed), and closure (all key stakeholders are consulted and on board). When working with clients, however, we often see that a more intuitive, hunch-based approach is common, and that the choices made are situational, limited in scope, and poorly communicated.

THE MERCER TALENT GAME

It is pretty clear then that top executives often do not see talent as a real asset; moreover, they do not even see it as part of their purview. Both this mindset and this understanding need to change, and at Mercer we have had success in doing this by engaging leaders in a talent-management simulation game. During the game, they work in teams of four to manage the talent on a team of seven. They compete with other teams, each of which started with the same team of seven people. Each team has a limited budget and needs to make a series of decisions around how to most effectively leverage their talent-management funds. The team that adds the most value to their team wins. Learning points are identified and discussed at the end of the game.

This experiential exercise is both fun and powerful, and after the simulation is complete, leaders are able to apply their learnings to the teams within their own organisations and think through the investment decisions they might make about their real talent-management budget. Participants have reported that their post-simulation decisions were different, and that they were also better able to identify organisational barriers by changing their approach.
CONCLUSION
For most organisations, the conclusions to be drawn from the issues discussed above are clear. By addressing key talent questions and applying the right solutions, companies can succeed in attracting top talent to pivotal roles. In questioning existing policies and processes, and being bold enough to embrace change, the vanguard in talent management is already jumping S-curves, experimenting with new ways of tapping into the global talent pool, and securing a competitive advantage.

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