Talent Management 2017

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The rate of change in the business environment is rapidly accelerating. As the world grows more connected and competitive, businesses must adjust to meet these new challenges. In the paper Managing Tomorrow Today, Erik Berggren, Director of SuccessFactors Global Research, and Dr. Jac Fitz-enz founder of the Workforce Intelligence Institute, make a strong case for developing predictive HCM metrics to help companies navigate these changes. However, there are a number of shifting demographics that companies can plan for today. Sweeping shifts in worker attitude, availability and accessibility are happening now, and can be turned into advantage for businesses with proactive human capital management policies.

This paper highlights coming changes in attitude, business environment, and workforce, and then explores how HCM solutions should evolve to meet the challenges associated with these changes. It is clear that many traditional aspects of the work environment are changing. In order to succeed in this fast-paced, dynamic landscape, companies must be agile, forward-looking, and ready for new paradigms in talent management that will be required to win in 2017.

Perception is not reality

The workplace is comprised of employees with all levels of experience, knowledge and performance. It is surprising then that 83% of employees believe that they are in the top 10% of performers, according to a study conducted by Business Week magazine (figure 1).

Clearly there is a strong disconnect between the actual performance of individual employees and their perception of their performance. This confidence in individual performance is remarkable.

This gap in perception does not only highlight a problem, i.e., a lack of regular, consistent performance reviews, but also highlights an opportunity. If workers could apply their confidence to a career that is a good fit, a career that leverages their strengths, this gap between performance and perception could be reduced.

<table>
<thead>
<tr>
<th>Percent of Employees Answering Yes</th>
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<tr>
<td>Companies greater than 1000 employees</td>
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<tr>
<td>Middle Managers</td>
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<tr>
<td>Female</td>
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<td>Overall</td>
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<td>Male</td>
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<td>Age 65+</td>
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<td>Companies with under 50 employees</td>
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<td>Executives</td>
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Figure 1

I Want to Go to Hollywood

THE FOCUS OF management is moving toward putting together teams “on the fly” that can get the job done with the best results, much like the production of a Hollywood movie. A flexible labor force, one that can be reconfigured, drives many business staffing initiatives today. Companies are hiring more contingent workers. Manpower International estimates that 20% of workers are contingent workers and the American Management Association estimates that 93% of businesses use at least some kind of contingent worker. Furthermore, 25% of the U.S. workforce will engage in “e-lancing” according to Thomas Malone, author of *The Future of Work*. Clearly HCM designed for traditional, hierarchal organizations will not meet the needs of these workers. Furthermore, opportunities exist to optimize how employees are selected to be part of a team and how to drive their performance once they are part of the team.

THE WALLS ARE COMING DOWN

Barriers both within companies and between them are breaking down. Much has been written about the flat world and the migration of skilled workers to and from places of demand. Over three decades ago, Peter Drucker predicted the age of borderless information sharing. Today, with the “free agent” workforce, collaboration is easier, almost borderless, but in an environment that is far more complex. Without traditional hierarchies, roles, and relationships, it is difficult, but critical, to decide when to compete and when to cooperate. Who should have access to certain information? It is critical for companies to have a system in place to manage the goals and competencies of these cross-barrier collaborators. It is this dramatic change in how work is done, that drives the Hollywood model.

“COLLABORATION — THE FIRM IS NO LONGER VIEWED AS A GROUP OF INDEPENDENT ISLANDS COMPETING INTERNALLY FOR INFORMATION AMONG DEPARTMENTS OF THE ORGANIZATION, INSTEAD THEY SHARE THE SAME INFORMATION”

Why Go to Work

The priorities of the workforce are shifting as well. As you can see in figure 2, younger workers are far more likely to respond that they “Work to live” rather than “Live to work.” Much has been written on the new generation of workers, and the implications on the workplace are clear. Motivating this next generation of workers will require more than simple monetary rewards. It will be more important than ever that the employee is a cultural fit with the company, and that he or she has the necessary skills and aptitude to grow into new roles and responsibilities. The days of working one job for 30 years are clearly over, and the new generation of workers demands not only that they are rewarded for their work, but also that they enjoy it.

Put me where I want

Keeping a worker engaged does not always require a promotion, which actually can be counterproductive in some cases. For example, promoting the best sales representative to sales manager may not be the right move, as a strong seller is not always a strong manager. In this example, a lateral move that builds on the skills of the employee could be much more effective. As shown in figure 3, the percentage of employees seeking greater responsibility is going down in almost all age groups. Strategic lateral moves therefore will increase in importance as an effective method of providing challenge and variety to employees, without necessarily increasing their responsibility. Instead of moving the top salesperson in into sales management, perhaps he or she would be an excellent fit for consulting services, etc. These lateral opportunities keep employees interested in their work, while expanding their skill set. The HCM solution used to manage the promotion process should take this into account during review cycles.

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When and where I want

The free agent phenomenon does not only refer to the increase in contingent workers and the ad hoc method of forming teams, it also applies to feelings about the nature of work and work cycles. Only 6% of workers desire to work full time (figure 4). Most workers would prefer to cycle between work and leisure (42%), work part time (16%), or never work for pay again (17%)7.

While not all jobs allow for such ideal flexibility, working from home and/or working remotely mitigates some of these drivers. For example, workers and can cycle between work and leisure to maximize their energy and productivity. Employers can also address this issue through flextime arrangements, working vacations and other creative solutions.

It is estimated that the time split between home, office and in between will be 35%, 35% and 30% respectively (figure 5)8. As the number of people working remotely increases, several trends can be seen. First, work will be completed from a variety of locations. Second, the 8 to 5 agricultural schedule for work is a thing of the past. Third, work will be executed in smaller “chunks” over time, with cycle times down to weeks instead of months.

In many cases workers claim that they are more productive at home, and this has been proven in several case studies. For example, IBM’s flextime program has saved the company 75 million dollars per year in fixed real estate costs9; however, when taking into account increased productivity from the flexible working arrangement, savings increase to 200 million dollars per year10. As presented in a joint webinar with Charles Grantham, Jim Ware and SuccessFactors research, it is believed that savings of up to 40% can be realized through a combination of flexible workplace initiatives and other distributed workspace arrangements.

Not Enough People in the Industrialized World

The number of skilled workers in the Western labor market is decreasing rapidly due to retirement and lower birth rates (figure 6 above)\(^ {11} \). The labor needed to maintain economic growth begins to smartly exceed the labor supply as early as 2009 (figure 7)\(^ {12} \). Although there will be fluctuations in the actual demand for labor in the future due to the nature of the business cycle, the trend is clear. By 2030 there will be gap of 50 million workers. Businesses will be forced to deal with this shortage in a number of ways, such as cooperation, flexibility and increases in productivity. Business must tap into the pool of “free agents” and borderless collaborators to compete effectively – in short, adopt the Hollywood model for at least part of their business.

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11. Figure 6 constructed from data from the U.S. Census Bureau, 2000; U.S. Census Bureau, International Data Base, July 2003
12. Figure 7 constructed from Employment Policy Foundation analysis and projections of Census, Bureau of Labor Statistics, and Bureau of Economics Analysis data
The future state of the labor market is quite different from what is experienced today (figure 8). Businesses will look globally to supply their talent as new industrialized countries emerge. Similarly, in order to fill the talent pipeline, businesses will turn to specialized education to ensure that they have workers with the right skills. The smartest companies will manage their attrition, planning for succession and avoiding costly knowledge and skill gaps within their workforce.

**People outlive business**

The average business has a lifespan of 14 years. The average tenure of a CEO has dropped to only 4 years. The pace of change is only accelerating. Businesses are driven by the demands of the market, and must produce the products and services required to compete and win. This is becoming more challenging. Product lifecycles have shrunk by 70% or more depending upon the industry. HCM then becomes even more critical to ensuring that businesses can keep up with rapid turnover, and prevent it in the case of high-performers. As businesses turn toward the reconfigurable, flexible teams of the Hollywood model, their HCM solution should be equally agile.

*In the next decade, we expect the business survival rate to approach only one-in-four, as major global forces accelerate the pace of change.*

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People Will Drive Strategy

The internet has changed the way in which companies manage talent. Looking back 10 years, talent management was focused on external hiring. Job boards first began to flourish, changing the way in which companies recruit individuals; however, this focus on external hires meant that talent management was reduced to its lowest common denominator, filling job requirements. Today, in 2007, the focus has shifted to developing internal talent, ensuring that your talent pool is filled with high-potentials, and ensuring that individuals are learning the skills needed to execute the company strategy. This was a huge evolutionary step. Given the challenges outlined in the previous sections, the dissolving of barriers, the changes in attitudes and demographics, another huge shift is about to occur.

In 2017 the paradigm will be turned on its head (figure 9). Talent management will drive the business strategy. Knowledge intensive work requires smart, engaged workers — so, acquiring and managing these workers will become the primary concern of companies in several industries. To meet this need, businesses will need to reach into the global talent pool. Workforce management, scheduling, training, must be aligned with the proper analytic tools to drive short, mid, and long-term planning. HCM systems will also require a huge shift in focus and execution, and some possible evolutionary steps are detailed later in this paper.

<table>
<thead>
<tr>
<th>Talent Sources</th>
<th>1997</th>
<th>2007</th>
<th>2017</th>
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<tbody>
<tr>
<td>Focused on External Talent</td>
<td>Focused on Internal Talent</td>
<td>Focused on Global “Free Agent” Pools</td>
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<tr>
<td>Hierarchy</td>
<td>Matrix</td>
<td>“Department of One”</td>
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Figure 9

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THE BIG BOSS CARES

The importance of talent management is growing. In the past C-level executives were rarely, actively involved in talent management (with some notable exceptions such as GE). According to the Economist, talent management now takes up to 20% of a CEO's time\textsuperscript{14}. This dramatic shift has occurred because of an intense focus on productivity and the realization that the strongest advantages are cultivated from great employees. On one hand the recognition of the importance of talent management is a positive step, but on the other hand this is likely not the most efficient use of time for a CEO. Companies should have a well developed process and an integrated talent management system to increase the efficiency of time spent managing talent, as well as to reduce the overall time spent on talent management-related tasks.

\textbf{Once only a concern to human resources (HR) departments, it is now among CEOs’ most pressing responsibilities, taking more than 20 percent of their time.}

Easy, Relevant, Fun and For Me

A dramatic shift in the way in which HCM solutions work is in order to meet the coming challenges in talent management. These challenges include:

- Finding and acquiring talent in the age of the free agent
- Aligning talent in a borderless world
- Developing talent in a way that interests and engages the next generation of workers
- Driving performance with predictive, relevant information

Rising to this challenge requires a new generation of software with four key characteristics:

- Be easy, intuitive and fun to use
- Deliver the right information at the right time
- Provide relevant, clear output to drive results
- User-driven experience with a strong element of self-determination.

In an increasingly fast-paced environment, the HCM solution must be intuitive and fun to use. Free agents and workers across borders must buy-in to the solution and want to use it. Software designed for the “entersumer” involves them in a fun way, so that they want to complete tasks associated with that software. The quantity of time spent in the application is not as important as the quality of the time spent, which is why the system must also intelligently supply relevant content to the user. All the information needed to get the job done should be at their employees’ fingertips.

Managing a team comprised of workers around the globe will also necessitate transparent, high-quality metrics for both the employee and the employer. However, fun and intelligent are not enough to truly engage employees. Free agents demand a measure of self-determination in decision making, especially in the areas of career and personal development. Any future HCM solution should have the necessary elements of fun, intelligence, transparency and self-determination in order to engage tomorrow’s worker.
Finding and Acquiring Talent in the Age of the Free Agent

Social networks are already providing an avenue for free agents to advertise themselves outside of their companies to a broader sphere of prospective employers. Networks, such as Facebook, now serve as a powerful platform for talent scouting and acquisition (figure 10). Job boards are no longer sufficient to fill the talent pipeline. Companies are already starting to reach out to social networks in order to increase the effectiveness of their talent acquisition operation.

Know your employees

In the future, social networks will be integrated into the HCM solution, allowing employees to find expertise, talent and resources inside of their own company. The SuccessFactors Employee Profile does just this by cataloging every employee's experience, knowledge, and interests at the fingertips of everyone in the organization, which helps connect employees, helps promote sharing of ideas and help enable “virtual teaming.” This is all aimed at making smarter decisions around deployment of talent. The Employee Profile also helps managers and team members find who has the skills, experience, knowledge, and interest needed to take on a new role. In fact, it already allows employees to share photos and tag each other with relevant metadata (figure 11).

Furthermore, employees can explore the various departments within their company and other reports with an emphasis on fun, transparency and ease of use. Internal social networks could integrate with external networks to provide a seamless global talent search, and products are already moving in this direction. For example, the Employee Profile is integrated with services from Skype and Yahoo!
**Repeat your successes with the power of cloning**

Typically companies collect a large amount of data on their employees, but then are very uncreative in how they use it. For example, all of the data used to identify competencies and measure performance can be applied to recruiting. Simply “clone” a top performer, i.e., find a potential candidate based on the competencies and performance characteristics of a current top performer. This helps ensure that the candidate will be a great fit for the job. The SuccessFactors NEXTlabs has developed a prototype for “cloning” performers (figure 12). Once the employee to clone has been chosen, the system can compare all available candidates to find the closest match. These smart recruiting tools provide a new dimension to traditional recruiting metrics and provide a quick way to measure free agents who may be interested in the position.

**Demand is always now**

Succession management currently is limited to nomination based on jobs that may or may not open. Just as recruiting was focused on filling job requirements a decade ago, succession management operates in much the same way today. This simple system for filling positions based on static job requirement is no more effective than recruitment was 10 years ago, and cannot meet the needs of companies who seek to tap into the global pool of free agents.

The screenshot to the right shows a prototype succession management tool from SuccessFactors NEXTlabs © (figure 13). This tool allows the users to advertise themselves as free agents, search available free agents, and to nominate a free agent to succeed them. Not only is there an emphasis on fun and ease of use, but this prototype directly involves the employee in the succession process. Finally, this system speeds up the process of locating talent when it is needed right away. Being able to quickly find a free agent that is a strong match for the needs of a team helps to accelerate business operations.
**MASH-UPS ACCELERATE DECISION MAKING**

The ability to “mash-up” or combine, compare, and exploit other data sources and networks in the Web 2.0 world, will change the way in which decisions are made. Companies will no longer be limited to the data stored in-house, they will be able to reach out and find relevant data that can be used to accelerate smart decision making. In this NEXTlabs prototype, Google maps are “mashed-up” with the recruitment module (figure 14). This prototype provides recruiters with a visual guide to help make decisions about where and when to schedule interviews, how much time should be allotted for travel, where to open a new office, etc. In the future, even more external data sources could be leveraged to increase the comprehensiveness and effective scope of an HCM solution.
Aligning Talent in a Borderless World

In the future, the workforce is likely to be comprised of dynamically configured teams with employees of all types drawn from the global talent pool, including contractors, business partners and employees working in geographically disparate locales. The emphasis on hierarchy will change to collaboration – so should the emphasis of the HCM solution employed to manage this diverse workforce.

Using this NEXTlabs prototype, employees can clearly understand their relationship with other team members, based on common goals rather than by department or business unit (figure 15). This will allow companies to quickly slot free agents into teams, and begin to drive their productivity. It is also important that employees write their own SMART\textsuperscript{15} goals. This helps to ensure that workers understand how their goals are linked to the execution of the company strategy.

Goal alignment is critical to the aforementioned Hollywood model. As contributors are pulled from the global talent pool, their goals should be aligned to drive the project forward. In the classic model of team formation proposed by Tuckman\textsuperscript{16}, teams go through phases of forming, storming, norming and performing. In the accelerated business environment of the future, business will want to spend as little time as possible on the forming, storming and norming phases to get to the performing phase as quickly as possible. Time is money. Defining roles and relationships quickly and efficiently is crucial to moving a team out of the norming phase and into the performing phase.

Finally, having employees write their own goals gives the employee a measure of self-determination and establishes a trust relationship between the employee and their manager. A positive relationship with one’s manager is one of the strongest drivers of employee engagement\textsuperscript{17}. Transparent goal management is a great first step toward building this relationship, and a must in a highly collaborative environment.

\textsuperscript{15} Specific, Measurable, Attainable, Relevant and Time bound – the SuccessFactors Total Goal Management (TGM) module includes a SMART goal coach
\textsuperscript{16} Tuckman, B. (1965), Developmental sequence in small groups, Psychological bulletin, American Psychological Association, Washington, DC.
Developing Talent in a Way that Interests and Engages the Next Generation of Workers

Today, employees interact with their HCM solution in a very impersonal way. They may receive an email when a form requires completion, or receive a reminder that is sent out to everyone in the company. In the future, the HCM solution will intelligently interact with its users. For example, instead of form emails and reminders, the HCM solution will custom tailor communication with the employee based on their goals, performance, etc., and the employee will be able to plot their career goals within the HCM solution.

Where can I go

The NEXTlabs Career Explorer prototype provides a glimpse at what this may look like (figure 16). Dora, a Jr. Engineer, has been building her competencies, has performed well, and has acquired valuable experience. The Career Explorer shows some options for Dora and computes her readiness for each opportunity. The intense focus on developing internal talent and creating clear career paths is driven by several factors:

- A CLEAR CAREER PATH IS A MAJOR MOTIVATOR OF EMPLOYEE ENGAGEMENT
- THE COST OF AN INTERNAL TURNOVER IS ALWAYS LOWER THAN EXTERNAL TURNOVER
- THERE IS AN ACCELERATING TALENT GAP, WITH DEMAND FOR SKILLED WORKERS TO FAR OUTSTRIP SUPPLY

In the case of internal turnover, a business loses no net knowledge, and because the employee is proven, predictions on how they will perform in their new position are possible. External hires carry a higher element of risk when gauging potential performance. Keeping high-performance and high-potential individuals in-house and on a clear path (with the options and variety demanded by the new generation of workers) will be central to winning the war for talent.

I KNOW WHAT I WANT BUT NOT HOW TO GET THERE

Once an employee has identified where they would like to go with their career, the question then becomes, how do they get there? In this NEXTlabs prototype, employees can select other employees in potential positions in which they are interested from which the software will automatically generate a learning plan (figure 17).

With this tool, employees will have the power to explore various options and learn what is required to achieve their goals. Empowering the employee with intelligent tools saves time and provides employees with a degree of control over their own career path. Traditional tools that do not involve the employees in a fun and meaningful way will not capture the time of busy free agents and cross border workers in an accelerated production environment. The HCM solution must deliver content in context, mapping the most relevant skills needed to attain a specific career goal. In the future, employees who do not actively manage their skill sets will find it difficult to keep up with the dynamic nature of the future work environment.
Driving Performance with Predictive, Relevant Information

As mentioned, companies collect vast amounts of data; however, a distinction needs to be made. Data in and of itself is not useful, but data in context is information and information is power, the power to know. HCM systems must be able to analyze data in a meaningful way and present actionable information that has a positive impact on business operations.

In the NEXTlabs prototype shown to your right, a simple static nine-box\(^9\) is turned into a powerful, predictive tool (figure 18).

Through a simple pull of the slider, a manager can see exactly how many employees will retire or turnover in a given year. Similarly, the turnover rate can be adjusted to provide predictive estimates of impact in each performance category. This allows managers to make smart hiring decisions and to develop coaching plans to move existing employees into higher performing areas. This is just one example of how simple, meaningful information can have a tremendous impact on top and bottom line results. Similar heuristics could be applied to competencies, etc. so that companies could predict when knowledge gaps might occur in their business and plan their training and recruitment accordingly so there is no net loss in critical skills required to drive the company strategy. This kind of predictive measurement enables managers to implement true, strategic workforce planning.

**Help me get it done**

Again, free agents and other collaborators will not use these advanced heuristic and reporting systems if the method of input is not intuitive and easy to use. An employee should never feel that inputting data into the system is a waste of their time. The SuccessFactors Writing Assistant, which is available and widely used today, helps with just that, providing hints on feedback as responders enter data into the system (figure 19). In the future, these systems could include intelligent agents that gather data and add metadata tags that can easily be searched and represented visually. Time series data that tracks attitude and engagement could be collected. As with all future HCM solutions, autonomy, intelligence, and intuitiveness in data entry and collection will help drive voluntary use of the HCM system by the worker of tomorrow.

\(^9\) A 3x3 graphical matrix comparing performance to potential
When is Your 2017

Technically, 2017 is on the horizon and planning for it may seem in some ways paranoid; however, some businesses are already being driven by the very same forces that will drive the labor market in the future. Many companies in knowledge-driven industries are already working cross-borders, enlisting free agents, and building HCM implementations to manage these needs. For some, the realities of 2017 will come a lot sooner. Fortunately for these businesses, HCM tools are evolving as well, with features designed to meet the challenges of 2017. Forward thinking leaders will begin to implement these breakthrough methods today. The workers of tomorrow demand variety, personal development and autonomy. Fun, involving tools with features geared toward the dynamic workplace are beginning to emerge that can meet the new workers’ demands; it is up to businesses to adopt them. When will you take your organization to 2017 – will you lead or be led?
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