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for talent management

Talent
Management

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Bill Docherty
Sr. Director, Product Management,
SumTotal

Marcus Wasdin
VP, Sales Support, SumTotal

Talent Management

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SUMTOTAL EDITION

by Bill Docherty
and Marcus Wasdin

WILEY

About the Authors

Bill Docherty has more than 15 years' experience in e-learning, software engineering, implementation of enterprise software applications, database development, and, importantly, the integration of technology to meet business objectives. Bill leads SumTotal's talent product management team, where he puts his global enterprise learning experience to work to ensure that the software products do exactly what SumTotal's customers need them to do.

Marcus Wasdin has been involved in Learning and Talent Management solution consulting and delivery for more than ten years. Wasdin's experience includes several years at a global consulting company, where he led all services delivery for Web-based learning solutions that focused on performance improvement. As Vice President of Sales Support at SumTotal Systems, Marcus and his team make sure that SumTotal's customers get solution-focused demonstrations and expert local support throughout the sales process. Marcus' global customer experience has been a driving force behind the development of SumTotal's Talent Management Suite.

SumTotal Acknowledgements

Publisher's Acknowledgments

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Introduction

*Y*ou have the stage, the actors, the orchestra, the props, and the script. Is it a Broadway hit yet? Nope. And just because you have employees filling positions and clear goals for your organization, it doesn't mean the company is going to make the kind of progress it could make.

Only when you appropriately recruit, evaluate, develop, reward, and mobilize employees to better align with business objectives can your organization live up to its potential.

This book gives you the basics you need to get your talent management show on the road.

About This Book

To further tax this theater metaphor, you're not going to achieve critical acclaim by forcing actors and actresses to play the wrong roles, but that technique represents the way many businesses muddle through the functions of hiring, training, evaluating, and compensating employees.

Historically, human resource practices have been divvied up into different segments, meaning that information obtained during hiring isn't passed on to the manager who takes on the hire, for example.

In recent years, a better approach has come along, a broader view to managing any company's workforce. You find in this book a solid introduction to talent management and to the technology that makes it measurable, thorough, reliable, and productive.

We give you the bare bones of the practice that make hiring, developing, utilizing, and paying employees one cohesive endeavor, making the most of all the data that arises from those functions. It's an approach that we find makes companies more effective, more productive, and more efficient. It further makes employees feel valued by finding the skills they

might not be using and applying them to their careers. And talent management keeps company and employee goals in sight to give those goals a much better chance of being met.

In *Talent Management For Dummies,* SumTotal Edition, we give you the lowdown on how you can use this approach today to make your organization's tomorrows easier and more productive.

Foolish Assumptions

In order to write this book, we had to make a few assumptions about you. we imagine you picked up this book because you

- ✔ Work in the human resources field and want to look into ways to make your job more effective and business-relevant.
- ✔ Are an executive who's always seeking insight and practical solutions to help your organization better reach its strategic goals.
- ✔ Are a business line manager who recognizes employees' incredible talent but is unsure how to unleash their potential.
- ✔ Seek starter-level information about technology's talent management applications.

Conventions Used in This Book

To help you navigate this book, we've established the following conventions:

- ✔ *Italic* is used for emphasis and to highlight new words or terms that are defined.
- ✔ Monofont is used for Web addresses.
- ✔ Sidebars, which are shaded boxes of text, consist of information that's interesting but not necessarily critical to your understanding of the topic. We use them to share stories about companies who've made the leap to talent management technology and benefited from it.

Icons Used in This Book

For Dummies signature icons are the little round pictures you see in the margins of the book. They're designed to draw your eye to bits of information we really want to drive home. Here's a list of the icons you find in this book and what they mean:

Some points in these pages are so useful that we hope you'll keep them in mind as you read. We make a big deal out of these ideas with this icon.

We flag advice and information that can spark a difference in the outcome of your talent management practices with this icon.

Any change is fraught with potential for missteps. Benefit from your colleagues' explorations by heeding the information you find at this icon.

Where to Go from Here

Most *For Dummies* books are set up so that you can flip to the section of the book that meets your present needs. You can do that in this book, too. We tell you where to find the information you might need when we refer to a concept, and we define terms as they arise to enable you to feel at home no matter where you open the book.

If you want to continue delving into talent management, you might want to turn to resources such as these:

- ✔ Society for Human Resource Management (www.shrm.org)
- ✔ The Balanced Scorecard Collaborative (a Palladium company) (www.bscol.com)
- ✔ Harvard Business Review (www.harvardbusiness online.hbsp.harvard.edu)

The 5th Wave

By Rich Tennant
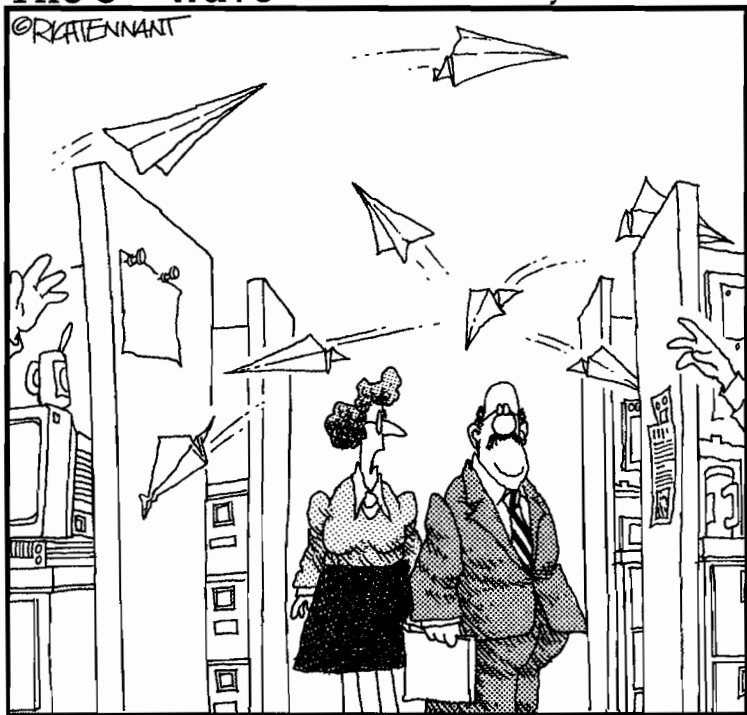
"Clearly, we need a less paper-driven talent management process."

Chapter 1

Defining Talent Management

In This Chapter

▶ Getting a grip on talent management

▶ Outlining the elements of talent management

▶ Running down the pitfalls of inaction

*W*ater coolers and power ties aside, the business world of today bears little resemblance to that of 20 years ago. One important difference is that a company's worth focuses less these days on tangible assets and infrastructure and more on intangibles — specifically, the knowledge and skills of its employees.

Finding, training, maximizing, and rewarding talent is more important than ever and, thanks to technology, is becoming more manageable all the time. In fact, technology has enabled organizations to really take inventory of their talent — what they have, as well as what they don't have.

In this chapter, we give you an introduction to the concept of talent management and how it works for businesses. As we delve deeper into each talent management element in the next chapters, we talk about the technology that's available to help you execute your talent management strategy.

Embracing Talent Management

Call it *workforce performance management* or *human capital management.* Heck, call it Harold, but make *talent management* — a strategic, comprehensive approach to identifying, evaluating, developing, and allocating the talent that helps your business perform at its best — part of your organization's daily practices.

Talent management works best when the various functions within it are tightly connected. In the following section, we introduce you to those functions.

Introducing the five elements of talent management

Talent management is composed of the following five elements, which roughly correspond to the stages of the employee "life cycle" — getting the employee on board, training, evaluating performance, and offering new opportunities. Some categorize the functions differently, but the overall approach is the same. The five elements are:

- **Recruitment and talent acquisition:** Activities designed to identify, attract, evaluate, and hire the right employees.

- **Learning management:** The techniques by which a company manages each employee's development, continuing education, certification and other learning activities, with a goal of not only developing employee skills, but also ensuring compliance with government or professional requirements.

- **Employee performance management:** An ongoing process designed to align, monitor, measure, empower, and improve employee performance. The ultimate goal "of employee performance management (EPM) is to empower employees to make a profound contribution to the achievements and success of the parent organization. The activities of performance management include

  - Performance appraisals

  - Goal management

  - Multi-rater and 360-degree feedback

- ✔ **Workforce and succession planning:** The process of planning and allocating human capital resources to fill positions with motivated employees with appropriate skills and experience, and identifying and grooming appropriate candidates for present and future opportunities.

- ✔ **Compensation management:** The balancing act that matches incentives and rewards with employee performance expectations and company goals.

Unfortunately, these functions of talent management are usually handled separately in most organizations, meaning that data transfer from system to system, department to department, or manager to supervisor just isn't happening. Even within HR, the functions are often in silos with little collaboration or strategic thinking happening among them.

The next five chapters provide overviews of each talent management element. And you might notice some topics that at first glance seem out of place, like a discussion of performance appraisal accuracy and calibration in the compensation chapter. That's intentional, and designed to illustrate to you how intricately the five elements work together.

Figure 1-1 shows you a talent management model. Like the gears in a watch, the five elements interrelate. Wrapped around them are competencies and analytics: Competencies provide the common language for talent management, and analytics provide the information needed to take action.

Using competencies to make the most of talent

In performance evaluations, *competency* usually refers to directly observable behaviors, skills, abilities, talents, attitudes, and other personal characteristics that are essential to successful job performance.

We prefer to think of *competencies* as the currency of human capital — like financial currency, competencies represent a person's existing potential to produce tangible results. Abilities like inspiring trust and executing effective strategies are leadership competencies, for example.

Talent
Management

Learning
Management
Systems

acquiring, retaining
& rewarding performers

Employee
Performance
Management

Recruiting
& Talent
Acquisition

developing & measuring
performance

Compensation
Management

Workforce
& Succession
Management

Competency Management, Reporting & Analytics
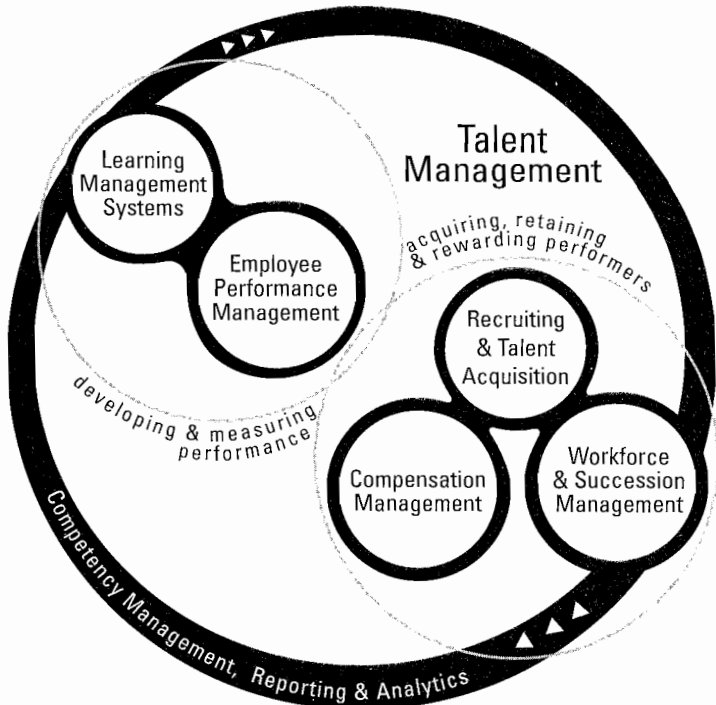
Figure 1-1: The talent management model.

In our model, we show competencies wrapped around all the elements of talent management. That's because competencies are the basis for the shared language of talent management elements. Use competencies throughout the employment cycle to guide training and set individual development goals. Apply them company-wide to determine how best to direct hiring, move talent and plan for succession.

Companies can buy off-the-shelf competency models — based on specific jobs, industries, or skill sets — that outline the skills and behaviors required for employees to execute their jobs. From a technology standpoint, those models are simply databases that feed directly into a talent management solution.

Figure 1-2 shows you how a talent management system can present learning opportunities linked directly to competencies.
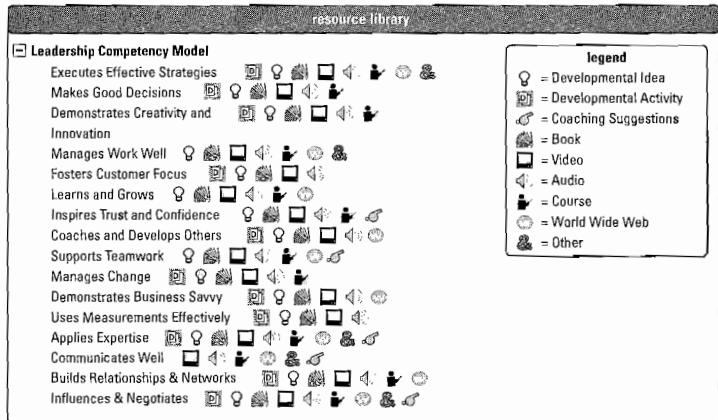
Figure 1-2: A talent management system can smoothly integrate competencies with development plans.

Analytics get attention and drive results

Historically, executives have considered talent management as a disconnected set of necessary tasks performed by "someone in HR." The projects that get senior management attention are bottom-line oriented, based on measurable results, usually meaning money. More nebulous issues like fostering skills can easily escape the notice of hard-numbers types.

Enter technology, which now provides the objectivity and access to data needed to bring talent management to executive attention and turn it into a business-critical strategic process with measurable results.

Technology also presents the danger of falling into the trap of reporting information just because you can access it. Every software package ships with cool dashboards and long lists of report options. You can download the raw data, massage it, slice and dice it until you enter an advanced state of analysis paralysis. The trick is in knowing which data is valuable and which is just interesting.
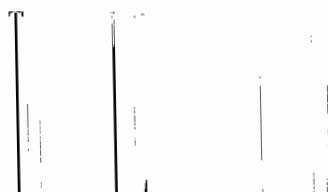
True analytics are actionable — they deliver information that helps you make decisions and take action. Otherwise, your reports are a waste of time and effort. In Chapter 8, we give you some real results from real companies acting on the talent management information they collect and reporting in a meaningful way.

Good reports present actionable information in a way that lets you not just look at a snapshot of data, but track progress over time.

The Unpleasant Outcomes of Not Managing Talent

Your organization has survived thus far without making a concerted effort regarding talent management, so why start now? Because, even though you haven't been measuring them, the markers of trouble are right before your eyes.

Failing to make the most of employees' skills and foster their development has terrible ramifications for any organization's success. They are

- Watching productivity sag.

- Losing talented, contributing employees.

- Missing opportunities for business growth.

- Failing to comply with myriad regulations.

- Failing to meet strategic goals and getting shown up by the competition.

In the sidebar, "Case study: JEA," we show you how one company used automation effectively to jumpstart and then sustain its new business strategy.

Case study: JEA

JEA, one of the United States' largest municipally-owned utility companies, has undergone a remarkable make-over into an industry leader in customer satisfaction in the past seven years. JEA credits its transformation to its talent management system, used in coordination with a corporate performance scorecard and Six Sigma methodology.

Seven years ago, as the U.S. utility industry deregulated, JEA faced increasing competition, price sensitivity, and high customer expectations that generated extreme pressure on their financial, organizational, and employee effectiveness.

Against the odds, JEA executed its corporate strategy by

- Clearly assigning performance expectations to each employee.

- Holding them accountable.

- Connecting performance to rewards.

- Enhancing communication and feedback.

- Allowing flexibility in a dynamic environment.

JEA began its transformation with a plan that supported the customer service message through an expanded but simplified 360 feedback process, which included customer service metrics. In turn, each manager was accountable for including service-related performance goals for each direct report. Over time, performance against such goals has become a significant determinant of compensation.

During the past year, JEA has integrated its Business Performance Measurement process into its employee goal management, ensuring precise measurement of employee results and integration of employee performance data into overall business performance measurement.

JEA estimates their annual labor savings on the talent management process alone in six figures.

Better management has kept operating costs down and rates low, and an ongoing focus on workplace safety has reduced the number of OSHA-recordable incidents over the past four years by 69.5 percent. In addition, JEA has received numerous operational excellence awards.

But JEA's biggest success, and the one underlying the rest of its achievements, is its stunning reinvention as an industry-leading customer-focused organization. JEA's steady and impressive gains in customer satisfaction ratings are well-documented by measurements like J.D. Powers and the American Customer Satisfaction Index (ACSI).

Internal employee surveys indicate a corresponding rise in endorsement of JEA's customer service mission and values, confirming the success of its talent management process in driving execution of strategy to the level of every employee in the company.

Chapter 2

Uncovering the Technology

*B*usinesses have been managing talent for centuries without technology, true enough. Humans also lived fine, full lives in the millennia before the cell phone, but who'd want to go back?

Any lingering reluctance to integrate talent management technology is understandable — tackling new processes can be daunting — but reluctance is unnecessary, given that the software applications have been road-tested and have proven their worth in organizations all over the world.

Talent management technology frees organizations from relying on anecdotes, digging through paper files, or making assumptions based on too little information. It enables objective measurement of human capital and a clear direction for acting on that measurement to deliver successful organizational change.

Imagine that your coworker is promoted because the one project he completed on time got noticed by the CEO. You completed every project on time and under budget — under the CEO's radar — and you are languishing in the same position you started in. With talent management technology, promotion decisions are based on fact — *all* the facts, instead of what's happened recently or what the decision-maker happens to notice.

In this chapter, we give you an overview of the technology available and run down the benefits of it, tell you how to get it, and discuss the big question of whether to rent or buy.

Unlocking Talent Management Technology's Basic Functions

Talent management technology applications serve three basic purposes. They are

- ✔ Self-service tools used by managers, employees, and HR to handle various tasks.
- ✔ Management reporting tools to help HR and the executive team communicate strategy, track trends, identify gaps, and monitor processes.
- ✔ Data warehouses for employee information.

These three functions drive the most basic requirements for talent management technology. It should

- ✔ Be easy to use.
- ✔ Offer a lot of options for slicing and dicing data.
- ✔ Interact with other HR databases to make sure basic employee information is always up to date.

Talent management technology also has to be scalable, reliable, and secure — requirements that apply to any company software.

Finding Sources for Talent Management Technology

Just about every company has a Human Resources Management System (HRMS) to track employee demographics and manage payroll. The vendors providing these systems have added limited talent management functions such as performance appraisals, goal tracking, and even succession planning. And because that system is already installed, many companies simply accept their HRMS vendor's offer of adding talent management modules without looking at the alternatives.

However, specialized talent management technology providers like SumTotal offer talent management functions that integrate seamlessly with HRMS. These applications deserve a look because they

- ✔ Are designed by experts in strategic talent management, not by experts in the minutiae of HR transactions; critical though that expertise may be, its focus is significantly different from that of talent management.

- ✔ Easily exchange data with the HRMS, thereby doing away with the duplicate data entry and manual processes required to update data in either system.

- ✔ Provide easy-to-use interfaces for employees and managers, many of which can be custom-configured to work with the company's intranet or other systems to help reduce the learning curve for users.

Another option that a large number of companies of all sizes often consider (and in some cases implement) is building their own talent management technology. Home-grown systems are usually basic, automating one or two existing paper processes, and can take up more time and effort internally than a specialized system purchased from a vendor.

It's never too early to think about what upgrading your talent management system will cost you, your organization, and your users. Ask vendors what kinds of experiences customers have had upgrading from one version to the next. Has data ever been lost moving from one version to another? Were there unexpected costs? What kind of technical support was offered, and how much did it cost? How fast was the upgrade accomplished? You're bound to upgrade your product to take advantage of improvements in the software, so learn early on if there might be trouble ahead.

Making the Rent/Buy Decision

In the vast majority of cases, buying a home is a far better use of money than renting. You might be tempted to apply the same logic to the software decision, but the factors entering into that decision tip the scales in a different direction.

A rental by any other name . . .

Rented talent management software is called *on-demand, hosted,* or *software as a service* (SaaS). What's the difference? Not much. It's called on-demand because you can use it when you need it, from pretty much anywhere. It's called hosted, because it's installed on the vendor's server, not yours. And it's called SaaS because the software is considered a service designed to deliver an ongoing solution to a business issue rather than a commodity. The bottom line is the same no matter what you call it: You use the software, but somebody else owns the responsibility for maintenance, security, and upgrades.

When you buy business software, the following is true:

- ✔ You install it on your Web servers or you install individual copies on users' desktops (but a desktop installation isn't common with talent management software).

- ✔ To maintain the software, answer users' questions, solve users' problems, and install upgrades when the time comes, you need to have personnel on hand who know the system inside and out.

- ✔ The software may or may not integrate with other systems you have, and if it does, then your IT department is on the hook for building the integration.

- ✔ Users can most likely access the software only from their company PC.

- ✔ You pay much more for the software upfront. However, you pay for it once and then you're done, except for an annual maintenance fee and any upgrade fees.

For many companies, buying seems like the only option because of genuine concerns about housing confidential employee data on someone else's servers. But even if buying seems like a requirement at the start, we recommend considering the rental scenario before making a final decision.

Renting talent management software comes with the following characteristics:

✔ Someone else handles implementation, maintenance, troubleshooting, and users' questions.

✔ You have complete control over how accessible the software is for employees, but theoretically your users can just log in to the software Web site from anywhere. This perk is especially important for companies whose employees travel frequently or don't have daily access to a PC.

✔ You always have the latest version of the software (if you have agreed to automatic upgrades, which you don't have to do).

✔ The software is hosted on the vendor's servers, which are often more secure and experience less downtime than your own servers. (Otherwise, the vendor couldn't stay in business.)

✔ It's implemented and maintained by experts who know every bit and byte of the software.

✔ You can get started with this type of software for a much lower initial cost because you pay only an annual "rental" fee based on the number of users.

WARNING!

Customizable vs. configurable

When you buy software from your local office supply store, you don't expect to be able to change the way it works, looks, or the wording of the various buttons and help text. But with enterprise software, companies expect to have the option of changing the screen design to match their corporate look and feel, perform functions differently from the way the software might have been originally designed, or incorporate their own specialized terminology.

Any talent management technology vendor offers customization, but it's most likely that you actually want configuration, especially if you're not purchasing the software outright. *Configuration* means tweaking the system without changing the basic code behind the system. *Customization* means re-writing the code. Custom-written code costs more, is harder to maintain, and might not be compatible with upgrades.

With the software development technology available today, your talent management vendor should be able to offer a surprisingly wide range of configuration options.

Chapter 3

Recruiting: Attracting Good Workers and Keeping Them

*N*ot since the U.S. Army retired its award-winning "Be All You Can Be!" campaign has recruiting been so prominent in the minds of Americans. These days, with so many companies competing for so few skilled workers, recruiting tops the list of HR challenges at most organizations.

In the United States, the biggest skills shortages are in science and engineering, as well as high-stress professions like nursing. In general, the more skilled and specialized the job, the bigger the shortage.

Employers used to have to fend off job applicants at the door; now they have to sell their brand as employers to convince workers what's in it for them. In fact, reviving "Be All You Can Be!" might be just the thing for an employer of choice needing to fill and nurture a talent pipeline with ambitious, motivated people.

In this chapter, we show you how to ease the strain of recruiting and bring the right talent to your organization.

Filling and Nurturing Your Talent Pipeline

There are no boundaries to the potential breadth and depth of your talent pool. With the ease of telecommuting, many jobs are no longer confined to a geographical location. It's getting easier all the time to recruit and hire from abroad when necessary.

With the recruitment and communication technology available today, you can position your brand as an employer and maintain awareness to generate interest from even the most passive job seekers. Even more important, you can target your recruitment efforts not just for geographical areas or professions, but to cultural fit. Job boards, online advertising, and your Web site allow you to get your personality across so that applicants have an idea of what to expect from your corporate culture. That just wasn't an option in the past when recruiting was limited to print ads and headhunters.

With today's recruiting technology, you can fulfill the "we'll keep your resume on file" promise and work it to your advantage. A good applicant tracking system acts like a customer relationship management (CRM) system, allowing you to track applicant data, identify the highest quality candidates, and keep in touch with them even if they aren't a fit right now.

Moving Beyond the Job Boards

One way you can manage the costs and effort involved in finding new employees is to take advantage of the savings offered by recruiting technology. These systems shorten the recruiting cycle time, facilitate communications, and enable managers to participate more actively from the start.

A good recruiting system:

✔ Interacts with your own Web site and online job boards to post job opportunities and allow applicants to submit resumes.

✔ Enables hiring personnel to initiate job requisitions, manage approvals, search resumes, track applicants, and communicate with hiring managers.

✔ Allows controlled access by hiring managers and any third-party recruitment partners.

✔ Integrates with other talent management technology for workforce planning, onboarding, searching for internal candidates, and reporting/analytics.

Such a system allows the hiring manager, recruiter, and other stakeholders to collaborate and to attract the best, most suitable talent for every position. Integrate it with a workforce and succession planning system that has a robust career inventory and search function, and you can be proactive about looking for talent internally as well as externally.

Moving Data into the Right Hands

The piles of data that companies acquire during the hiring process reveals candidates' skills, education, work history, career objectives, and all kinds of information that not only indicates whether a candidate fits into the organization but how best she'll function and the possibilities for her career path, training, leadership opportunities. It's juicy stuff. So why does it end up languishing in a file?

After a new employee is on board, move his resume data directly into your talent management inventory, because with the right development and training he will quickly become an internal candidate. This is especially critical for entry-level positions; if new entry-level employees don't flourish, then you've either hired the wrong ones, or you're not providing opportunities to excel.

At every level, you risk losing your promising new hires if you don't measure performance early and regularly, and re-assess potential as the new employee develops in the role. If you have a full and effective talent pipeline, then you can develop an efficient process for replacing the high-potentials as they move up or over (and replacing the low-potentials as they move out).

Training Managers to Become Effective Recruiters

Involving managers more deeply in the recruiting process is one more way that recruiting fits into your talent management strategy. Sure, when your new employees come on board you'll be using your learning management system (LMS) to make sure they're properly oriented, trained and developed. But what about using your LMS to help managers collaborate more effectively with HR during the recruiting process?

In fact, manager training on recruitment is the perfect candidate for just-in-time training. Unless your managers routinely hire seasonal workers, then many of them — especially new managers — don't have a lot of experience creating job requisitions, interviewing candidates, making decisions and offers, or even onboarding new employees. The right time for this training is at the time a manager has an open position.

Whether you're refreshing experienced hiring managers on the recruitment process, delivering training on behavioral interviewing techniques, or orienting new hires, your LMS is a critical tool at recruitment time and beyond.

Chapter 4

Utilizing Learning Management Systems

*L*ate in the 19th century, Wanamaker's department store founder John Wanamaker famously mused that half his advertising budget was wasted; he just didn't know which half.

Given the massive administration and travel budgets that training can necessitate, you can't blame business heads for wondering whether half their expenditures are wasted, as well. Without a system to ensure the right training is taking place effectively and with the right people in the seats to soak it in, the half-wasted theory might not be far off.

In this chapter, we show you how learning management systems enable continuous learning and productivity by centralizing information and enabling analysis of who knows what, who needs to know more, and who knows a few valuable things that nobody knew about.

Introducing Learning Management Systems

A *learning management system* is software designed to manage, track, and quantify all the training, continuing education, employee development, certification, and other learning activities in a company.

A learning management system enables your organization to

- ✔ Centralize training administration and reduce operational expenses by managing all learning-related functions through a single integrated platform.

- ✔ Increase the return on your training investment by making central tracking and reporting possible.

- ✔ Manage competencies.

- ✔ Encourage self learning by making the latest products and services available to employees.

- ✔ Accelerate new hire training.

- ✔ Ensure compliance and reporting for regulatory examiners.

- ✔ Offer Web-based courses, interactive virtual classroom sessions, workshops, and self-paced courses delivered through CD-ROM and DVD.

Building a Winning Team

An effective learning management system has benefits that extend much further than cutting down on travel and paper-work. Those things are simply ingredients. The result is that your employees function better because of the system. The following are some of the ways that a learning management system cooks that up:

- ✔ Providing new hires tools for success:. A new hire's first 30 to 60 days on the job are a critical time. Providing the right training and tools to be successful early helps employees become integrated quickly and makes them more likely to stay.

✔ Empowering employees with a self-service model: An LMS allows employees to access training on their own schedules, and because most LMS systems are now Web-based, employees can access them from outside the office.

✔ Increasing customer satisfaction by building employee knowledge: Keeping employees up-to-date and attuned to developments in the industry and within the organization pays off in their execution of tasks. Customers take notice.

✔ Developing leadership capabilities in your organization: Assessing credentials and education may turn up talents that complement the company's goals. And after the system compiles that information, you have the capability to easily tailor training opportunities toward fostering those skills.

✔ Focusing on your employees' strengths: Many training programs focus on developing new skills or fixing competency gaps; however, you get the most bang for the buck by making sure your LMS includes resources to help employees further develop their strengths.

✔ Managing compliance and certifications within the workplace: A learning management system prevents lapses in compliance and certification by notifying users of expiration status.

✔ Measuring success: Centralized tracking, reporting, and analytics allow organizations to better track which training has an impact, where improvements are made, and where people stand on mandatory training imperatives. Proving to senior management that specific success criteria set at the outset of the deployment have been achieved is critical to gaining support for additional learning initiatives. The success criteria and how that criteria will be measured should be defined before the system is implemented.

Defining a Learning Foundation

Companies commonly have multiple databases and spreadsheets in different parts of the organization to deliver and track access to learning. Before embarking on a project to replace these disparate systems with a new enterprise LMS, make sure you define standards for everyone to follow, such

as having conventions and content design standards. Standards ensure that users have a consistent experience without robbing individual business units of the flexibility to meet the learning needs of their constituents.

In most learning management systems, this balance is provided by domains. *Domains* allow you to model your organizational learning structure so that you can easily restructure your domains as your organization structure changes. Figure 4-1 shows how an organization might manage hierarchical domain structures.
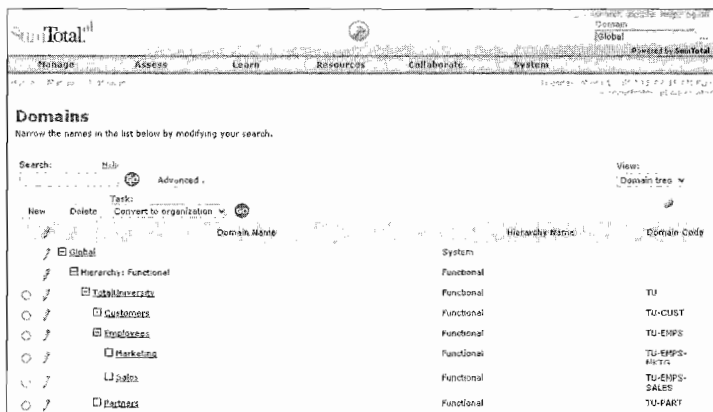
Figure 4-1: Use domains to keep your learning structure current with your organization's changing needs.

Managing Blended Learning Programs

Ordering a milkshake is no fun when the only choice you have is vanilla. That's why people pay big bucks for smoothies that combine our choices of fruit, vitamins, nuts, and even artificial gunk.

Not very long ago, the only option for employee training was a vanilla milkshake — a classroom where everyone had to show up in the same place at the same time and do the same thing. Now, companies have almost as many options for training delivery as there are topics.

Blended learning — learning that combines multiple delivery methods — mixes classroom, virtual, self-paced and coaching components. It's especially effective for younger employees, already accustomed to leveraging multiple technologies to learn at their own pace and style, who expect that any prospective employer is capable of providing the technology to expand their knowledge and skills.

Along with their preferences for learning, the way that individuals learn has also evolved with computer-based technologies. Unfortunately, many learning management systems have been built based upon the old curriculum-course-class model and are too rigid to support the blended model that organizations demand. A good LMS uses Open Activity Architecture (OAA) to provide flexibility in defining a blended learning program with the right mix of learning components.

OAA is a fancy way of saying that the system allows you to organize your learning content in any way you want. Figure 4-2 shows you a flexible OAA model.
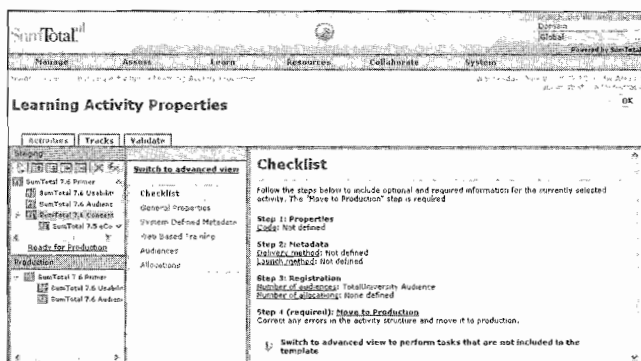
Figure 4-2: Open Activity Architecture allows you to easily define a blended learning program.

Hiring new employees costs more than keeping the ones you already have. During a new hire's first 60 days, the risk of losing that person (and all the resources you've invested in hiring her), is especially high. So train to retain. Offering accessible, useful training is critical to employees' initial and ongoing satisfaction. And it helps you sidestep the top two reasons most employees leave: lack of opportunities to acquire new skills and lack of career growth opportunities.

Buying a Learning Management System

The myriad learning management systems available show that there's a value in (and a hunger for) these programs. But not every system responds to your needs. In this section, we give you some guidelines for sorting through the options.

✔ **Determine what you want a learning management system to do for your organization.**

Your organization's goals are the starting point for the success measures you build, and your selection process is based on the criteria you develop from those measures.

✔ **Get specific about your organization's needs.**

Before a vendor can help you, your organization has to help itself. Involve executives and information technology staff to plan a model for content creation, organization, storage, and delivery. Without thorough information, vendors will have a tough time partnering with you and providing professional, value-added suggestions.

✔ **Purchase only what you need.**

Stay on track (and on budget) by carefully reviewing features and their accordance with the needs you've identified.

✔ **Tie LMS into a key business initiative.**

Buying and launching an LMS to support a product roll-out or compliance initiative has immediate and obvious value to your organization and provides a better chance of success.

✔ **Pick an LMS that integrates enterprise-wide content.**

Savvy LMS customers want to integrate the learning system's content regardless of the source, tag the content and deliver it effectively. They want to build custom content with confidence, and they want assurances that the content will follow standards, which increases its

potential for reusability. If you buy an LMS that works in concert with a content management system, you can be comfortable that you can use more of your existing content, more effectively.

✓ **Ask vendors to show you what they've accomplished.**

Make sure your vendor-to-be has plenty of case studies and references to show you before you spend money with them. Get a view of what people have been able to achieve beyond cutting training costs. For example, we know of a major home security company that used its LMS to increase alarm installs by 10 percent — almost double the industry's growth rate. We'd happily share that compelling story with a potential buyer.

✓ **Make sure your LMS is in compliance.**

Check with one if not both of the two major standards groups that govern e-learning content and learning management systems: Advanced Distributed Learning Co-Laboratory (www.adlnet.gov) and Aviation Industry Computer-Based Training Committee (www.aicc.org).

✓ **Get a second opinion.**

Analyst firms study vendors and the technologies software makers sell. Each firm has a researcher that pours through the vendor data to describe the landscape. Of course, there's a price. If your organization's IT department isn't already a customer of one of these research firms, then you'll pay to see what they've written.

✓ **Research the companies as well as the technology.**

More goes into your LMS decision than the technology. Make sure the companies you talk with understand your business and provide solutions, not just technology. Check things like a vendor's business strategy, viability, and customer services processes and metrics. Not having these processes in place tells you all you need to know.

LMS isn't just for employees. You're making a big investment in LMS technology, so think about other ways to use it. Training channel partners and customers on a new product is just one of many extended enterprise applications of LMS.
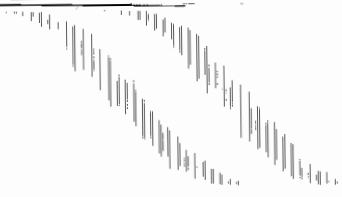
Case study: Holland America Line

In the cruise-line industry, success hinges on customer service and satisfaction, which drive repeat business. According to Stein Kruse, president and CEO of Holland America Line, "Skilled, motivated personnel have always been our greatest asset in setting Holland America Line apart from our competitors, which makes our initiative to deliver greater learning opportunities to employees mission-critical to our organization."

To keep its 15,000 employees up to date, Holland America Line has training centers in Indonesia, the Philippines, and the Netherlands. However, at any given time thousands of the company's employees are at sea, which complicates training and records-keeping. Having employees travel to a training center or having trainers travel from ship to ship can be costly and inefficient. In addition, the mounting demands of regulatory requirements continue to increase for the "floating cities" that are the line's ships.

Holland America Line needed a solution that could easily support a globally dispersed, moving workforce that's on duty 24 hours a day, 7 days a week, and includes more than 50 nationalities with varying proficiency with English. So they purchased an LMS to create their first-ever online learning program for corporate and field employees around the world. The system accommodated their unique needs by allowing offline use through daily satellite-based ship-to-shore synchronization.

Holland America Line's new LMS automates and streamlines the delivery, management, and reporting of all training activities, including mandatory safety, security, and environmental compliance training. Best of all, their LMS data can integrate with business data to show business impact.

The LMS enables Holland America Line to transform the way it does business and to run a complex global business more smoothly. It also helps a multilingual workforce to provide the top-quality customer service that will continue to drive repeat passenger business. With the deployment of a "cashless" system and detailed tracking of passenger expenditures, Holland America Line can correlate training to both generated revenue and customer satisfaction surveys to measure the impact of training programs.

Chapter 5

Presenting Employee Performance Management

In This Chapter

▶ Defining employee performance management

▶ Making the most of automation

▶ Driving performance with goal management

▶ Measuring performance with employee appraisals

▶ Fostering leadership with 360-degree feedback

*U*nless your company is truly exceptional, no one in it is using all of her talents in a manner that best benefits her and the company. That's disheartening knowledge, isn't it? And it's a heck of an opportunity.

Employee performance management is a system for making sure your company constantly moves toward the best possible utilization of the skills within its workforce. It's a way of figuring out what talents lie dormant, how to draw those out, where to apply them, and then how to maximize them in ways that best benefit the employee and the company.

In this chapter, we show you how employee performance management works to engage your employees and move your company toward its objectives.

Introducing Employee Performance Management

Employee performance management is an active, strategic initiative to make the most of employee productivity and opportunity in order to benefit the employee and the organization.

More specifically, quality performance management creates an environment in which

- Each employee is given clear, specific, fair performance expectations (including information about how performance will be measured, recognized, and developed).

- Each employee is given the tools and support to foster excellence.

- The organization clearly defines goals and values, and maps them to the actions and objectives of company divisions, teams, and individual employees.

- Quality performance is recognized and encouraged, and poor performance is either improved or eliminated.

- Customers benefit from improved service and better products.

- Shareholders and stakeholders benefit from improved financial performance.

Accurately measuring each individual's and the company's quality serves two essential goals:

- Establishing benchmarks that can be compared across employees, across time, across different divisions of the organization, or even across industry segments.

- Profiling the various levels of skills and needs for individual employees, corporate divisions, job classifications, and so on, up to and including the entire organization. These metrics guide employee and organizational development.

REMEMBER

Measurement, however precise, isn't enough to realize the full benefit of performance management. You have to also act upon the information uncovered by assessment to guide employee and organizational development.

Looking at Best Practices

The ideal performance management system has the following seven components:

- **Value recognition:** Leadership at the top is necessary but not sufficient. Employees at all levels need to understand how performance management benefits them. Faith in a fair process and beneficial outcome greatly improves the likelihood that your performance management initiative will succeed at all levels.

- **Strategic alignment:** The conclusion that teamwork and shared vision benefit the organization is obvious at face value, but creating such alignment is more challenging. Without a clear, compelling vision from the top down, a mission statement becomes an abstraction, relegated to a plaque on a wall next to the team bowling trophies.

- **Two-way accountability:** Performance management is an implicit two-way contract between the employee and organization. The individual agrees to receive and/or provide feedback, to provide her best efforts, and to work toward self-development. In return, the organization not only promises fairness and accuracy, but, more importantly provides the means to reward deserving performance, support development, and offer opportunity for advancement.

- **Practicality:** If your organization's model of performance management takes too long to use or figure out, you'll never realize its full benefit. A practical performance management system is as simple and easy-to-use as possible. New technology (particularly Web-based software) can deliver significant employee and administrator time-savings.
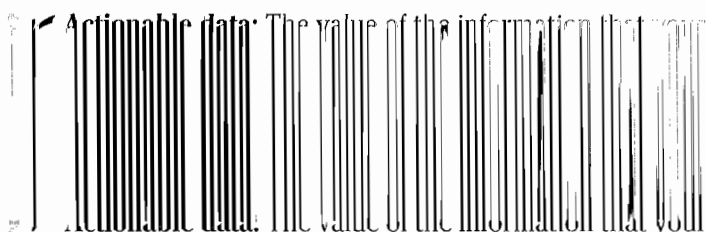
✓ **Actionable data:** The value of the information that your process delivers should be clear. Good analysis and reporting reduces vast quantities of data to its key essentials yet maintains the capacity to drill deeper. Dashboards and reports must be easy to interpret and new ones easy to create. Most important, if the data wouldn't prompt (or rule out the need for) action, then there's no need to gather it.

✓ **Accuracy and fairness.** People have short memories, and they have biases; both tend to come through on performance appraisals. Any performance management system must provide tools that allow managers and employees to capture information throughout the year and eliminate the biases that can occur in many rating systems.

✓ **Adaptability.** Boom. Bust. Overemployment. Underemployment. The cycles of the past few years have shown that you can't meet evolving challenges with fixed solutions or blindly apply the same solution as if every problem were identical. So be wary of any performance management solution that forces your organization to adopt a rigid framework or methodology, or that can't respond to market trends quickly and effectively.

Your talent management strategy needs to include an effective mechanism for

✓ Communicating company strategy

✓ Helping departments determine their most important, strategic areas of focus

✓ Making sure individuals spend their time working on the projects or tasks that will move the organization forward in executing strategic goals.

Aligning Activities by Managing Goals

When the violinist plays Bach and the pianist bangs out a Sousa march, the result is not beautiful music. Organizations whose employees head off into different directions don't operate long without hitting some nasty chords.

Goal management — the process of aligning employees' actions with company strategy by tying each person's performance objectives into the company goals — makes sure everyone's playing the same tune.

Such a strategy benefits employee and organization by

- ✔ Enabling a business to make more efficient progress toward its goals
- ✔ Engaging employees by giving them a better sense of their value to the organization
- ✔ Making better use of employees' skills by aligning them with the company's objectives

Organizations tend to use one of two styles of goal management:

- ✔ **People-centric:** A top-down approach that starts with goals set by the CEO and trickles down through tiers of employees, with each person setting individual goals based upon his manager's goals. This approach proved unwieldy for larger companies and has fallen out of favor overall in large part because of the mountain of administrative work it necessitates as goals are set and re-evaluated.

- ✔ **Organization-centric:** Instead of basing their goals on a manager's goals, employees create their own goals from companywide objectives. This system gives everyone a clearer sense of what they — and the company — are working toward and how they're progressing. It requires much less administrative work and more easily allows for change within the company.

  Figure 5-1 shows you how an employee performance management program displays an employee's goals.

If your company uses a Balanced Scorecard to map strategy, monitor and measure success, then your company goals are probably categorized according to your version of the Balanced Scorecard perspectives: Financial, Customer, Internal Process, and Learning/Growth. The four perspectives offer a logical way to categorize employee goals, ensuring strategic alignment at every level.
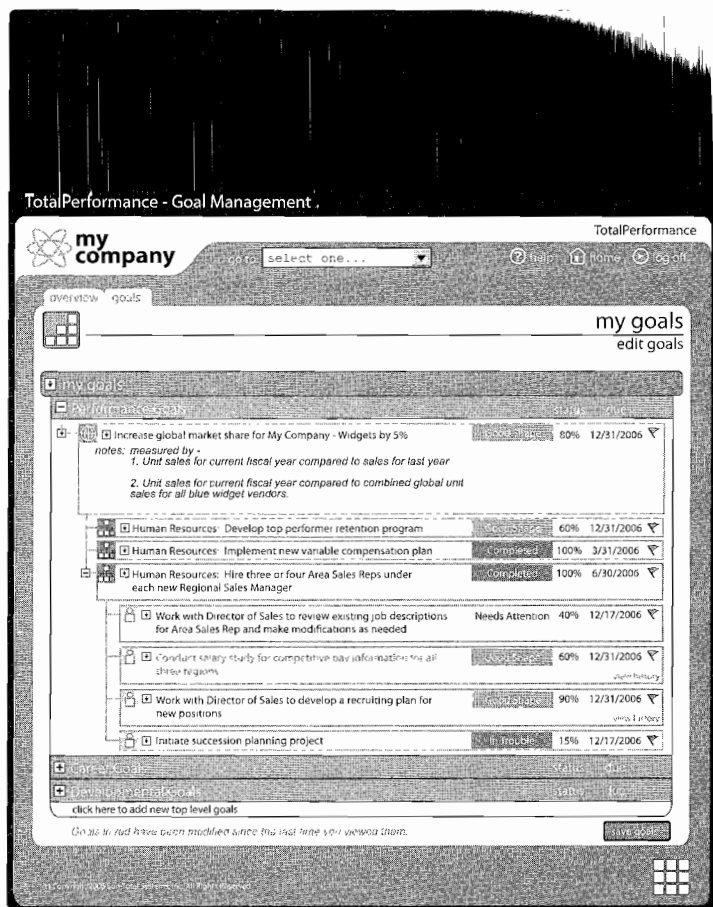
Figure 5-1: A performance management system not only enables employees to keep track of their own successes, but shows them the organization's overall progress.

Taking Stock with Employee Appraisals

Like the famous comedian, performance appraisals "can't get no respect." For most employees and managers, they're a necessary evil that's about as much fun as tax season.

So if no one likes them, why keep doing them?

Performance appraisals are necessary because they're genuinely valuable. When properly managed, they provide the data that feeds practically every other talent management process, from compensation to succession planning. Without being able to assign some type of performance score, identifying and rewarding your stars is impossible— and so is identifying problem performers fairly and unequivocally.

WARNING!

Done well, performance appraisals can increase employee engagement and motivation. Done poorly or not at all, they can have the opposite effect.

With automation, performance appraisals get respect. For employees and managers, automated appraisals are easier to access, forms are less intimidating, and their extensive comment libraries help even the most reticent manager come up with just the right words.

To force or not to force rankings

The controversy over forced vs. unforced ranking has settled down into an acceptance that each has value for the right circumstances.

Forced ranking requires employees' overall performance ratings to fall into a certain distribution of "below," "meets," and "exceeds" categories along a normal bell curve. It helps get rid of bias and helps counteract lenient ratings. On the other hand, it can hurt morale and de-motivate employees.

Unforced ranking means not requiring overall ratings to fit into a certain distribution — letting ratings fall where they may. Unforced ranking gives a more realistic view, because what's wrong with ratings being skewed toward high performance? After all, isn't the goal to run an organization filled with overachievers? You would never recruit for mediocre performers. However, unforced ranking doesn't counteract lenient raters, and it can cause challenges for setting up increase ranges on your variable compensation program.

That's why ratings calibration is so important. It gives upper management a chance to sore-thumb the ratings distribution, and adjust for particularly lenient or harsh raters. See Chapter 7 for more information on calibration.

For the company, automation makes pulling performance data
and feeding it into other processes easy. It enables bench-
marking and performance goals at the individual, team, and
company level. And it ensures that everyone's appraisal is
done right, on time.

Performance appraisals don't take place just once a year any-
more. With automation, you can run a performance appraisal
process more frequently — even every quarter. And if employ-
ees and managers track goals and make entries into their
performance logs, then filling out frequent performance
appraisals is practically effortless.

Expanding the View with 360 Feedback

Traditional performance appraisals provide a 180-degree
view, with the assessments done usually by just the employee
(*self-rating*) and the manager. Sometimes, the next-level man-
ager adds a comment when signing off on the assessment.
That's sufficient in many cases, but many organizations want
more options.

360 feedback arose from the need to get a more complete view
of each employee's strengths and weaknesses. *360 feedback* is
the process of gathering evaluations from all directions—
from an employee's peers, supervisors, direct reports, cus-
tomers, and so on — to create a composite assessment of
an individual within an organization for the purpose of per-
formance improvement.

360 feedback is sometimes confused with multi-rater feedback,
which is simply a performance review using more raters than
the traditional manager rating and self-rating (for example,
having multiple managers rate the employee). Multi-rater feed-
back doesn't necessarily give a 360-degree view — from above,
below, and the same levels — but it certainly gives a more
comprehensive view of performance than ratings by just one.

Most organizations use 360 feedback as a leadership develop-
ment tool, rating a limited group of executives on items like
communication skills, leadership qualities, and decision-
making abilities, and then using the results in leadership

development sessions. In the past, this was very expensive and labor-intensive, involving mounds of paper surveys and manual data analysis. But no more. Everything from notifying raters to analyzing data is automated, and the process can happen cheaply and efficiently.

TIP

Now that technology makes multi-rater 360 feedback assessments so easy, and makes results tabulation automatic, break the mold of using it only for executives. Consider multi-rater 360 feedback for larger groups of employees. If your employees spend more time reporting to project managers than to their own managers, or you have a large number of dotted-line reporting relationships, multi-rater feedback is a good solution for getting balanced feedback in a matrixed organization.

Figure 5-2 shows a sample report from a 360 feedback process. Note that the employee can see how he rated himself (the triangle), how his manager rated him (represented by the oval containing an S), and how all others rated him. The result is that the employee might discover he is underestimating his abilities in some areas and over-estimating in others. And because the ratings are shown on a continuum, fine distinctions between ratings come through.
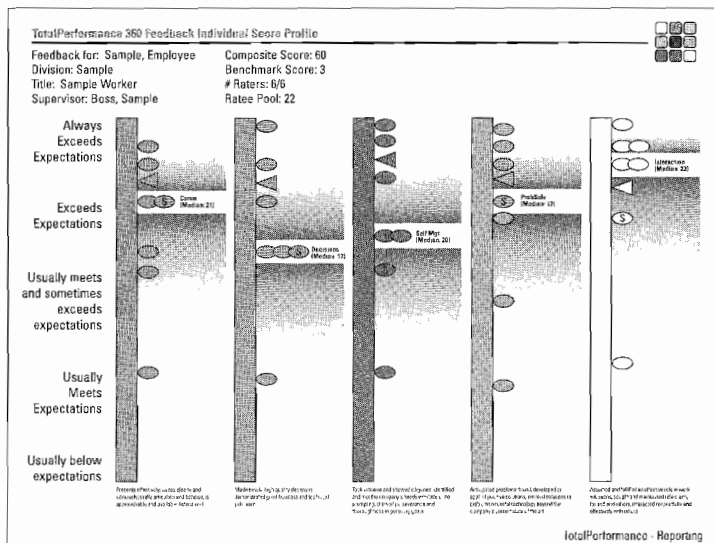
Figure 5-2: A sample individual report from a 360 feedback process.

Getting Better Data with Comparative Ratings

When a manager has more than a handful of employees to rate, or someone participating in a 360 process has been asked to rate several people, things get awkward. The process becomes time-consuming, and each employee's appraisal is slightly inconsistent with the others, simply because we're human. Fatigue is an obvious factor, but there are also complex things going on that may bias the rater in one way or another, including forgetfulness — "Now what rating did I give Harry on communication skills?"

SumTotal's appraisal system allows comparative ratings. On the first competency, our manager, Dick, can place Harry just above "meets expectations" on our continuum, Sally almost all the way up to "exceeds expectations," and Tom at the same level as Sally because Dick really believes their performance is comparable. He can rate his other four direct reports in relation to those three.

Dick continues doing this with each competency, rating all of his team at the same time. He can also click on each person's name and add comments for each competency.

In this way Dick is thinking comparatively, setting unmoving benchmarks for each competency and applying ratings consistently. And, when he gets to the end, he won't have to groan and think "six more appraisals to go." In fact, he's now finished with the competency assessments for all of his direct reports.

Figure 5-3 shows you the screen Dick might use to rate several employees on a single competency.
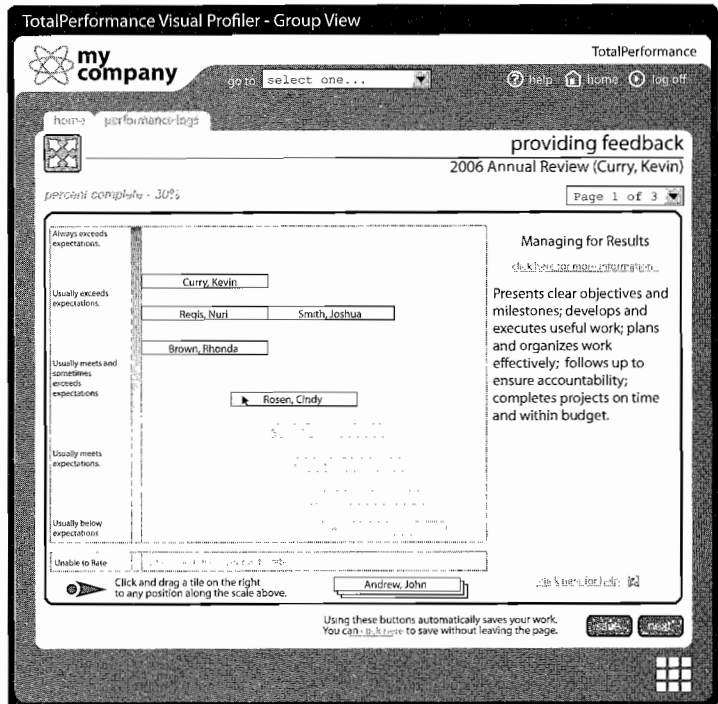
Figure 5-3: Being able to rate several employees on a single competency improves accuracy and reduces rater fatigue.

When rating one employee on multiple competencies, being able to place the ratings on a continuum like the one shown in Figure 5-4 helps differentiate subtle variations.
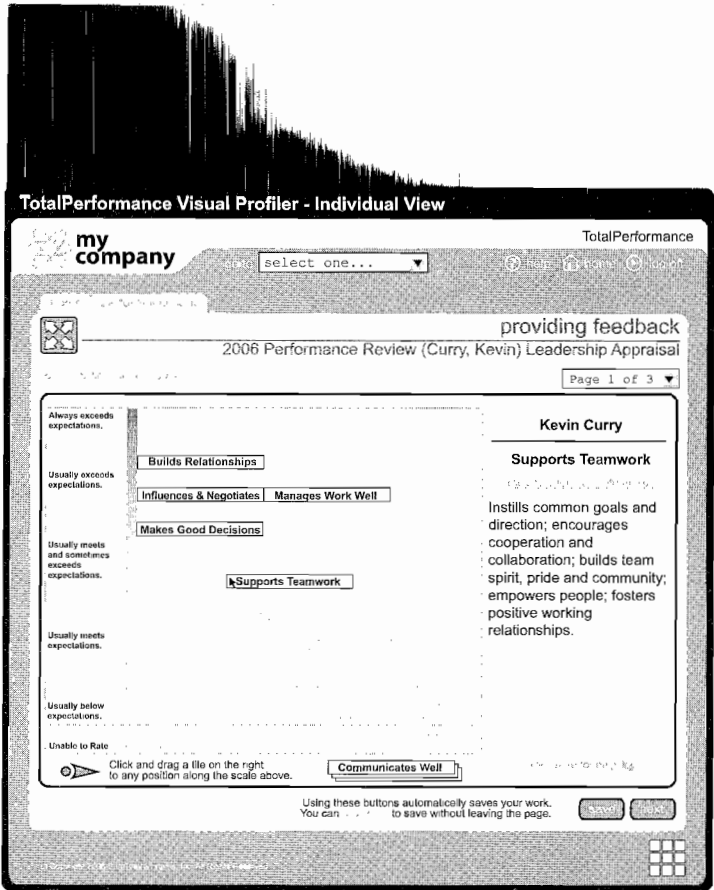
Figure 5-4: The vertical bar on the left shows the continuum of ratings where the competency can be placed.

Chapter 6

Building a Road to Succession

SumTotal has a well-liked, highly respected CEO who demands and gets results. He attends every company event, knows most employees by name despite their being scattered across the globe, gets to know our customers every chance he can, and openly shares his goals and ambitions for our company. We know he's a hockey fan, loves to travel, and is the quintessential family man, and if he decided to retire tomorrow to take his family on a world hockey tournament tour, we'd miss him terribly. But the company would move on without a blip because we're prepared with a definitive succession plan for that eventuality.

In this chapter, we show you how to get your own succession ducks in a row so that no employee loss — whether at the c-level or anywhere else — becomes a blow to your company's progress.

Introducing Workforce and Succession Planning

Most organizations are prepared to replace their top-level executives, because high executive turnover has become a

fact of life in the past few years. Boards of directors are getting involved in executive succession planning and putting plans in place. But succession planning now extends much further to true workforce planning, and means that you

- ✔ Are prepared to replace people at any level of the company.
- ✔ Are grooming people for jobs that don't even exist right now.
- ✔ Are identifying top performers in any job and making sure they're engaged and satisfied so they will stay with you for the long haul.

The right people

Strategically-thinking, high-performing organizations know their talent pool. Those with a good talent management strategy — and the processes to back it up — have data on every employee's experience, qualifications, competencies, potential, and even career aspirations. They can access that data to make sure they find the right people to fill new or open positions at any time and to assess the ripple effect of that person's move to a new position. They know their bench strength and know where they need to fill in or plan for changes. They know their potential for internal mobility, whether it's within one office or across continents.

Workforce planning has its roots in both succession planning and recruitment. Identifying the right people for the critical roles in your organization requires you to look both inside and out, so the two processes should not be performed in silos.

The right skills

Performance management processes measure employees' skills to determine whether they're proficient, developing, or have high potential for becoming proficient within a certain timeframe. Most companies can look up performance assessments on John Doe and find out the skills he has.

But can human resources personnel search for a certain skill and see a list of everyone in the organization who has it? When you house skills data in a central repository, you can do this type of searching. So if you're opening your first office in

China, you can search your talent database to find out who speaks Cantonese — and you might get some surprising results that change the way you staff that office and give employees opportunities they never expected.

On the other hand, if you search for a needed skill and get zero results, you know it's time to start developing that skill. You might change your learning strategy or add new resources, recruit for that skill if it's highly specialized and not quickly learned, or reassess your competency model to make sure you're capturing employee performance information and training for that skill.

How can you measure employee potential without bringing in a bevy of organizational psychologists? Simply adding a few pertinent questions to the manager's version of the employee appraisal draws out valuable information about an employee's potential.

The right roles

Jobs change, expectations change, and people change. The right job for an employee at the time he was hired might not be the right job for him now. Reviewing your talent pool might reveal the right people (that is, clever, productive, motivated) in roles that underutilize valuable skills. Getting these people into the right roles engages employees and helps reduce turnover, one of the leading causes of organizational disruption, high human capital costs, and overall failure to execute on strategy.

Doing the right things

If you have the right people with the right skills in the right jobs doing the *wrong* things, then you're right back where you started. It's that simple.

If you set up an organization-centric goal management process that enables every employee to create goals linked to strategy and holds them accountable for delivering on those goals, then you can be sure they're working on the right things.

Take a look into your goal management system to determine whether employees are working on the right things. Your goal management system should do the following things:

✔ Enable employees to see strategic goals

✔ Link strategic goals to departmental goals

✔ Generate a report like the one in Figure 6-1, which highlights employees that have individual performance goals linked directly to strategic goals

Strategy Chart 2007

Percentage of Individual Goals Aligned with Organizational Goals

Financial Perspective
Increase Long-Term Value — 11.3%
Maximize Cash Flow — 6.4%
Grow Earnings — 4.1%
Customer Perspective
Marketplace Differentiator — 8.8%
Provide Superior Customer Service — 3.9%
Provide Innovative Products — 2.7%
Internal Perspective
New Product Development — 19.7%
Achieve Technology Leadership In Applications — 9.6%
Increase the Pace of New Product Development — 9.6%
Market and Geographic Expansion — 11.9%
Accelerate Drive for Market Leadership in Asia Pacific — 3.7%
Improve Effectiveness of Sales Process; Gain Share in Existing Markets — 2.1%
Process Improvement - Cost Reduction — 23.2%
Provide Industry Leading Product and Service Quality — 8.6%
Establish Substantial Productivity Gains — 9.2%
Establish Lean Supply Chain — 3.7%
Achieve Capital Planning Goals and Business Objectives — 8.8%
Learning and Growth Perspective
Use Performance Management Process to Achieve Strategic Objectives — 18.7%
Strengthen Organizational Development — 6.4%

TotalPerformance - Strategy Chart 2007
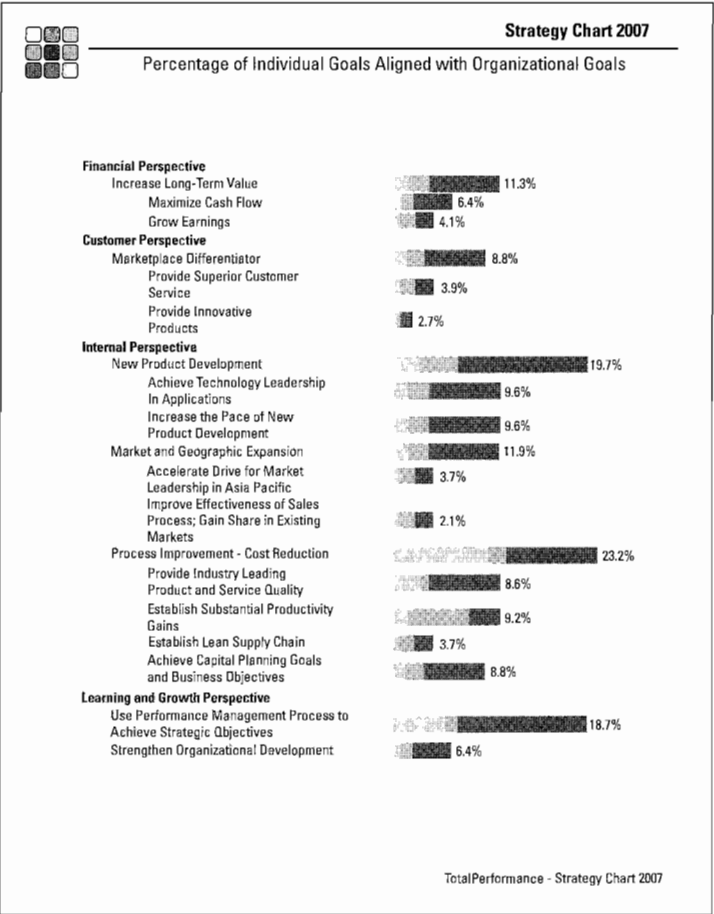
Figure 6-1: An effective goal management system shows you how employees' goals link to strategic goals.

WARNING!

If your employees are too busy to work on activities related to strategic goals, then they're working on the wrong things.

Starting with Trustworthy Data

Without valid data, you can't possibly assess whether you have the right people with the right skills in the right roles doing the right things.

Succession planning starts when you accurately measure employee performance, assess skills, keep up-to-date career inventory information, and generally ensure that the information you're using is valid. That's why you need to start with

- ✔ A performance management process that delivers reliable, valid data

- ✔ A recruiting system that enables you to transfer information on new hires directly to your succession planning career inventory

- ✔ Tools that integrate, share and validate data, or even allow employee self-service to keep information fresh

The Inevitable Sports Analogy

Every baseball team manager knows his players' stats, and you can be sure the fan and scouts know them, too. Imagine your employees as baseball players (or the athlete or Pokémon character of your choice). Could you create a card for each employee showing critical stats? Current job, current salary and variable compensation, certifications, languages spoken, ability to relocate, career path, and so on. Do you have it all in one place? Probably not.

Creating each employee's baseball card takes some work, but it's not impossible with a good talent management system. And imagine how easy it would then be to visualize different talent scenarios, identify gaps, name successors, and manage internal mobility.

Figure 6-2 isn't your typical org chart. It shows each employee's "baseball card," with visual cues (stop sign, warning sign, green light) to identify suitability to move into the top position.
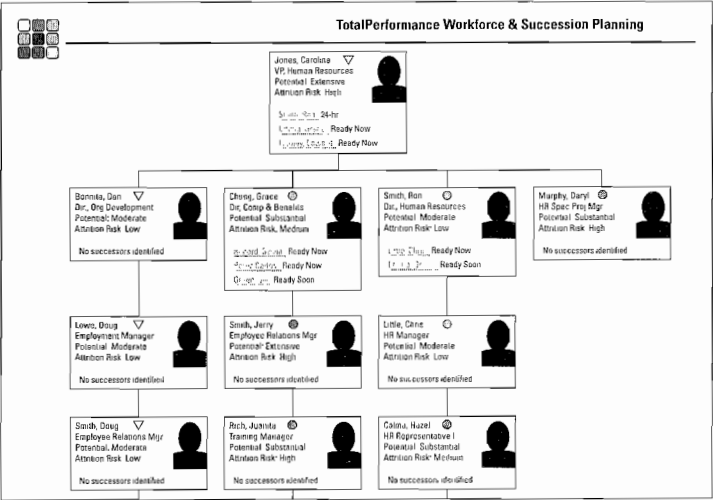

Figure 6-2: Put employees' stats into easy-to-use format to make succession planning easier.

In a real system, the silhouettes would be replaced by actual employee photos.

Chapter 7

Compensation: Making Sure That Pay Aligns with Worth

"*I*'m paid too much."

No one has ever said that to us — not an employee, not a co-worker, not a friend working in any profession — and we don't expect anyone ever will.

When it comes to salary and compensation, employees and employers are at cross-purposes. Employees expect a salary increase every year, and a bonus as good as or better than last year's. The best employees are certainly justified in that expectation. But employers are balancing myriad factors that may limit their ability to increase salaries, like escalating benefits costs, competitive challenges, stockholder demands and other complex business issues.

The bottom line is that a good year-end doesn't automatically mean raises for employees. Complicate that with the fact that no one is comfortable talking about compensation, and you have a recipe for misunderstandings, mixed signals, and dissatisfaction.

So what's a business to do?

Employees and employers have compromised on compensation for decades. Talent management technology makes that compromise more systematic, fair, and even transparent. In this chapter, we show you how new technology smoothes compensation wrinkles.

Improving Compensation with Talent Management Software

Integrating compensation with your overall talent management strategy means far more than just paying for number of widgets produced, and docking pay for widgets rejected. That traditional pay-for-performance model worked in the old manufacturing economy, but pay-for-performance now means "pay-for-strategic-contribution."

Even in the current and potentially challenging knowledge economy, talent management gives employers the tools to measure meaningful markers. Those include

- Knowledge acquisition
- The value of an employee's knowledge in the bigger organizational picture and the economy at large
- Each employee's effectiveness at applying his knowledge
- An employee's capacity for developing her knowledge further
- How effectively each employee shares knowledge

Today's compensation professionals have to consider the internal value, market value, and strategic value of every single employee, and design a compensation strategy that balances all three.

The talent management process drives the effectiveness of your total compensation strategy by tying in the following three areas:

✔ **Training and development:** Learning management systems enable you to offer employees opportunities to demonstrate, develop, and distribute their knowledge, improving their performance so that they improve their ability to earn rewards. Systematic tracking and reporting within these systems improve overall fairness in reward and recognition.

✔ **Goal management:** Tying employee actions to company strategy enables employees to influence company performance — and thus influence any variable compensation that's tied to overall company performance.

✔ **Performance appraisal systems:** Accurate and consistent measures of performance generate data that tie directly into your compensation plan and instill fairness in the salary review process. Effective systems differentiate between performance levels for effective differentiation between compensation.

✔ **Succession planning:** Effective workforce and succession planning gives you the overall data you need to identify top performers by combining performance review data with assessments of employees' potential and an inventory of their experience and qualifications.

Putting your compensation dollars into top performers delivers the biggest bang for your buck.

Reaping the Benefits of New Technology

Given the options now available for automating compensation management, using spreadsheets for these tasks is akin to using a calculator to send a text message. You might be able to write a message, but you can't send it anywhere — the equipment is just not up to the entire task.

Spreadsheets are still powerful tools for your financial team, but they're no longer the tool of choice for compensation management. Because the compensation management process involves human resources departments, managers, and finance, it requires a tool that's user-friendly and accessible for everyone without extra data entry or compiling multiple versions of spreadsheets.

TIP

An effective compensation planning application:

- ✔ Integrates budget allocations and individual performance data
- ✔ Calculates compensation changes
- ✔ Enables scenario-based planning
- ✔ Tracks approvals
- ✔ Produces reports and statements on demand

Making the Most of Your Incentive Budget

Imagine your company has decided that, in order to earn an annual performance bonus, employees have to be rated a 4 or 5 on your 5-point performance rating scale.

You go through your performance appraisal cycle, and at the end, 80% of employees have received a 4 or a 5. Your small performance bonus budget just got smaller, because when you divvy it up among that many people, the bonus is minimal — practically offensive in its smallness.

Where's the problem? Should you have fought for a larger bonus budget? Should you have set the cutoff at 5 rather than 4?

None of the above. The problem is larger than those quick fixes. You needed to rate employees differently and to make better use of the ratings data.

When you use a 5-point employee performance rating scale, there's no in-between. Figure 7-1 shows you what we mean.

TIP

Tools like SumTotal's Visual Profiler allow you to rate on a continuum and therefore open up a range of options that support more accurate, nuanced rating. Figure 7-2 shows you an example.
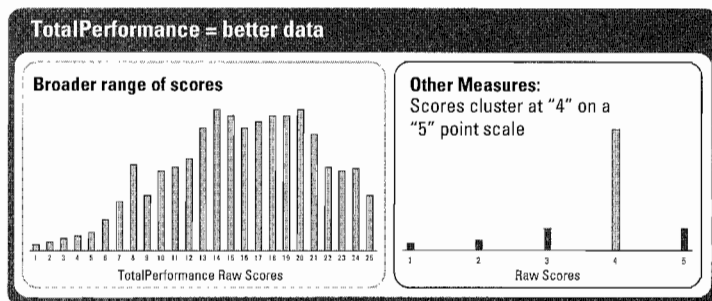
Figure 7-1: Using a ratings continuum enables you to differentiate performance so you can more aptly reward employees.
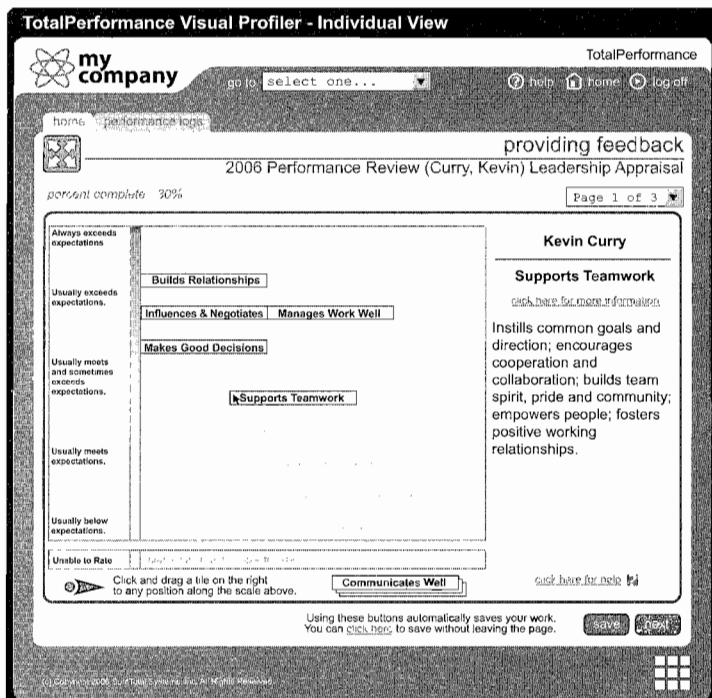

Figure 7-2: SumTotal's Visual Profiler allows users to drag and drop ratings along a continuum. It's number-free for the user and results in a more accurate overall rating.

Consider Harry and Sally, both Customer Service Team Leaders. On a traditional 5-point scale they might both rate a 4. But when they're rated using a continuum, Sally rates a 4.2 on her leadership skills, and Harry is a 3.7. On a 5-point scale, where both scores were rounded to 4, both get bonuses under the simple plan we described in the last example. And Harry goes along happily thinking he doesn't need any improvement. On a continuum, however, Harry sees clearly that he's good, but could be better. With our better differentiated ratings, Sally earns a well-deserved bonus, but Harry doesn't qualify.

But wait a minute: Harry just moved into a team leader position halfway through the year. Sally is in a comparable position, leading a similar project team, but she's been doing it for a decade. Maybe Harry has demonstrated that his leadership skills are up to par for someone who has led a team for only a few months.

Enter the calibration tool — a superhero that ensures fair treatment for everyone. Calibration basically means reviewing everyone's performance ratings and compensation adjustments, sore-thumbing to look for areas of unfairness. For example, if the manager of one area follows the "no one in my class ever gets an A" approach, then her ratings might be out of whack with another manager who is very liberal in his ratings and tends to "curve the grades." Through a calibration process, the management team can adjust overall ratings to account for that kind of rater bias.

And, it can make sure that cases like Harry's, where there's more going on than is reflected in the ratings numbers, are covered, so he can earn a partial or prorated bonus.

Compensation management is just one demonstration of the value of using a ratings continuum and calibrating overall employee ratings. A ratings continuum is also very useful when it comes to workforce and succession planning, because it can help you make fine but fair distinctions between employees. This is another of many examples of how intricately the five elements of talent management overlap.

Chapter 8

Getting Talent Management Right

*T*hroughout this book, we show you what talent management can do for an organization, and maybe reading about its benefits has made you want to integrate it into your business *right this very minute!* Well, sure, you have good reasons for enthusiasm, but we advise you to take things slowly.

Your organization can get a lot out of talent management, but not without putting a lot into it. In this chapter, we share with you some of the legwork that's critical for pursuing a talent management program and provide examples of companies who did it successfully.

Involving the CEO — and Everyone Else

Now that you can demonstrate talent management's positive effect on a company's bottom line, it's not such a hard sell. Executives recognize its value, but signing off on a contract for talent management applications is a small part of the equation.

No talent management system earns its keep in an organization that hasn't prepared to adopt it and isn't ready to accept and integrate it.

Senior management therefore has the following responsibilities within a talent management program:

- Defining clear goals
- Determining appropriate incentives, rewards, and compensation
- Setting the metrics by which success is measured

HR takes over where management leaves off by ensuring that the various elements of talent management are not only connected but leveraging each other. In this schematic, HR practitioners take on a more mission-critical role, one directly tied to the business metrics that speak loudest to the company's executive leaders, board of directors, and shareholders.

Taking a Strategic Approach to Talent Management

Use the following four steps to take to make sure you're approaching talent management strategically, not just tactically (we give you tactics in Chapter 9.):

1. Know where your business is going.

Take a close look at its current state and desired future state, and map out a business strategy to get there.

2. Know your talent.

Pull together all the employee data you have, and take stock not only of skills and experiences, but also demographics and other data that might cause you to lose valuable experience, like increasing retirement rates because of an aging workforce, or low job satisfaction. Find out how much your employees know about how their daily actions impact company success.

3. Mind the gap.

Knowing what you don't have is just as important as knowing what you do have. Two kinds of gaps mark the areas of attack for meaningful improvement: gaps in your data, and gaps revealed by the data you have. You might find that you have no idea how many employees are likely to retire in the next five years. Your strategy map might include expansion into Asia, but no one has the right language skills. You might realize that employees are so unmotivated now that any change will fall flat.

4. Map your talent management strategy.

Talent management is a big concept, and it doesn't happen overnight. You have to analyze it, prioritize it, and strategize it. Here are some questions to get you started:

- **What jobs are most critical to executing your business strategy?**

  Which jobs most directly impact your customers' experience? Which jobs focus on tasks that will deliver the results needed to execute business strategy?

- **What talent do you need to execute your business strategy?**

  Does your new strategy require skills that your employees don't currently have? Do you have enough people with those skills?

- **Where will that talent come from?**

  Moving people up a level, laterally into new functions, or literally moving them to new geographic locations? Recruiting externally? Expanding the skills of employees in their existing roles?

- **How will you make sure every employee understands the business strategy and her role in its successful execution, and how will you ensure they sustain that knowledge?**

  Do employees have performance goals that directly impact company strategy? Do they have departmental goals? Do they actually track progress?

- **How will you measure employees, and what will you measure?**

  What aspect of their performance most directly impacts the successful execution of your business strategy? How will you integrate these measurements into other business measures, such as financial, operational, and customer measurements?

- **How will you address skills gaps identified in your employee measurement and prepare employees for new requirements resulting from your business strategy?**

  Do employees have easy access to training and development resources? Do you know whether they've completed training programs, whether they learned anything, and whether they are applying their new knowledge or skills?

Getting Inspired by Real Results

For those companies that apply talent management software to well-thought-out processes and that know where they want their organizations to go, progress follows. Here are a few examples:

- ✔ Major pharmaceutical company: When they implemented a blended learning program that consolidated 4.5 days of sales training into less than 2 days, this company saved $1.6 million in training costs the first year. Even more amazing, they increased their product market share more than 900 percent.

- ✔ Department of Defense support agency: After evolving their training from an instructor-led model to one based on distance learning products using multimedia technologies, they achieved a 50 percent reduction in personnel deployment time.

- Global wireless communication company: By creating an online "university" for partner training, they were able to deliver tiered certification programs and expand their partner reach to smaller, non–U.S. companies. As a result they realized a 20 percent increase in partner-generated revenue.

- Global contact services outsourcer: This company achieved recurring savings of more than $100,000 per month by implementing a new hire training program that can detect when an agent is having trouble with a concept and deliver a 15-minute lesson to the agent's desktop.

- Major pharmaceutical company: After automating its 360 feedback process, which was used widely in the organization, this company's HR employees spent 80 percent less time administering and managing the process.

- Regional public utility: By automating and improving their performance appraisals, 360s, and goal management, they achieved a 14 percent improvement in employee satisfaction; $100,000 savings in cost of talent management processes. Most significantly, they achieved their strategic goal of becoming a customer-centric company and flying to the top of independent customer satisfaction ratings.

- U.S. food distribution company: After re-designing and automating their paper performance appraisal process, they obtained signed performance evaluations from 100 percent of employees (compared to 50 percent before automation).

- Large retail grocery chain: After implementing an enterprise learning management system, the company was able to deliver its training program via a standard Web browser. The entire training program was completed in two weeks and more than 85 percent of the store employees completed the program in that time.

- Major insurance company: By implementing an e-learning solution that could easily be configured, they achieved an 82 percent reduction in the time required to get everybody trained on new compliance guidelines.

Case study: Destination Hotels & Resorts

Destination Hotels & Resorts uses 360 feedback and succession planning as critical tactics in its talent management strategy. Knowing that its 7,500 employees have a quantifiable impact on profitability, associate satisfaction, guest satisfaction, and other measures, the company set out to determine what's right with people and exploit that in a constructive, productive way. One key approach included giving employees "stretch assignments" on task forces to challenge them and provide learning and growth opportunities.

After examining differences in leadership, effectiveness, and results among employees, Destination realized that a sort of leadership DNA was present in the "A" talent that wasn't necessarily present in the "C" performers. They launched a new 360 feedback process to evaluate individual competencies, and they gave more than 500 managers access to a "My Career" function within the SumTotal technology platform. Through My Career, employees update their talent profiles, creating online resumes as well as geographic preferences, interest in task force assignments, and career path aspirations. The results of the 360 process feed into the My Career data.

Destination Hotels & Resorts uses this data to set up each task force based on the people interested, available, and qualified. At the end of the task force assignment, each member receives a mini-evaluation. That gives every task force participant a well-documented career development opportunity and improves the results each participant delivers.

Another key piece of Destination Hotels & Resorts' talent management strategy is filling key positions internally rather than through an external hire — quite simply because this saves the company a significant amount in cost and lost productivity. For example, they started a succession planning initiative in finance because they were scrambling to fill positions externally. By developing the assistant controller and junior controller group, about 20 percent of the team is now ready for the controller finance function. The number of people who will be ready six or 12 months out has grown, as well.

Chapter 9

Ten Steps to Getting Talent Management Going

*I*ntegrating talent management solutions into your organization isn't as daunting as jumping on a plane to Timbuktu with nothing but a healthy sense of adventure. It's more like mapping out a long journey with exciting stops along the way.

In this chapter, we give you a map for setting out on your talent management road trip.

Define Why Talent Management Matters to Your Organization

Determining what your organization needs to accomplish through talent management — the hard and soft benefits — is the only suitable starting point. Until you decide where you want to go, there's no point in starting to walk. Go back to Chapter 8 for tips on building your talent management strategy.

Give your c-level executives a copy of this book with an invitation to a meeting to review your talent management strategy, and get their input on your next steps.

Focus on Collaborative Execution

Now that you know where you need to go, it's time to draw
the map and start packing. But first you need to identify some
traveling companions. Pull together the experts in your organ-
ization who know the nitty-gritty details, and get to work
executing your strategy.

Find Your Pain Point

Make a list of your talent management pain points and start
prioritizing them. Are different business units using incompat-
ible learning platforms? Is compliance with your performance
appraisal process down in the dumps? Do you have employee
career data scattered all over the place? In a SMART way (spe-
cific, measurable, attainable, reasonable, timely) set your first
talent management goal based on your biggest pain point.

Embrace Metrics

Tangible asset analysis has been around since the first beans
were counted. Measuring intangible assets has a long way to
go to catch up. Executives value information like employee
performance data, yet studies show that they don't yet trust
the numbers HR comes up with.

"What gets measured gets managed" is a cliché, but it's also
the truth. If you're stumped by the challenges of management
by measurement, check out programs like Six Sigma, or tools
like the Balanced Scorecard or a solid employee performance
management system. You can find a wealth of information and
consulting assistance to get started.

Embrace Technology

Fortunately, the Information Age can help simplify the com-
plexity it has spawned. In particular, tremendous advances in
HR software have reduced the drudgery with a wealth of
applications that automate and integrate administrative func-
tions and provide employees with self-service options. When
used properly, technology integrates diverse processes and

saves untold hours of staff labor, provides better information and analysis, and frees HR personnel from repetitive administrative duties. Technology can save your organization a lot of money in the long run — but it also requires an investment.

Articulate the Benefits

When assessing benefits, start with the "hard," or objective, results you expect, and make them relevant to the big picture, asking questions like:

✔ How will it improve financial performance?

✔ How will it improve productivity?

✔ How will it increase the company's capacity to grow?

If you have some metrics to help you identify actual cost-savings you can achieve, use them. Follow with the softer, subjective value of your initiative, such as improving employee satisfaction and engagement.

Assess the Costs

Before deciding on a system, answer these questions:

✔ What is the lowest, mid-range, and highest potential cost and effort?

✔ Is it a one-time investment or will there be ongoing costs and efforts?

✔ What are the potential hidden costs and efforts?

Face the Risks

Outline the potential risks and possible ways to manage them. Keep in mind that the risk of doing nothing often exceeds the risk of doing something, no matter how modest that "something" might be. Ask yourself: "what if we don't?" rather than "why should we?"

After you identify the risks, outline possible contingency plans or mitigating factors.

Create Options with Differing ROI's

Don't focus on just one idea — there's rarely just one right answer. Come up with two or more options for solving your biggest pain point with varying costs, benefits, and risks.

Your return on investment (ROI) is a simple formula that compares the cost and the benefits of each option. Use a graph to plot cost on the x-axis and benefit on the y-axis. That will give a clear, visual demonstration of each option's potential ROI. But cost-savings is only a part of the ROI of talent management technology. The real ROI comes when that technology provides the tools for your employees and your organization to realize significant business performance improvements.

Pick a Strategic Technology Partner

As you look for your talent management technology solution, consider the potential vendor's breadth of experience and depth of products and services. While a specialty vendor might be able to solve your immediate problem perfectly, they might not be the right vendor a year or two down the line. If you don't think strategically when choosing a vendor, you wind up juggling multiple contracts, customer service centers, processes — and maybe even facing system integration nightmares.

Look for a vendor who understands your big picture, your present and future needs — and is willing and able to go there with you.

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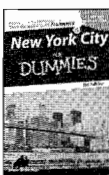
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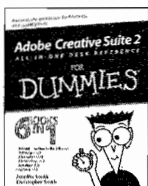
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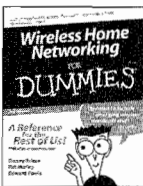### Also available:
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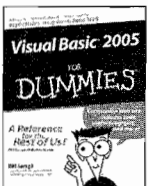
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Attract, inspire, and align your workforce

Discover how to:

Map your talent management strategy

Build your business case

Implement talent management within your organization to execute on business strategy

Is your organization making the most of talent?

Talent Management is no longer a philosophy championed by HR and ignored by business. It's an integral contributor to business success, which needs to be understood and promoted in every business area, at every level. But who has time to do the research?

Talent Management For Dummies, SumTotal Edition, pulls together everything you need to know in a quick, easy overview that can jumpstart understanding of talent management across your organization. This book explains a straightforward structure for framing your own talent management strategy, helping you articulate your strategy and build support within your organization.

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