Developing a Talent Management Strategy
A 10 Step Guide

An advice guide from a&dc

Why Invest in Talent Management?

The majority of the UK workforce is employed in positions requiring discretionary motivation and engagement for optimum performance. Employee research has consistently emphasised the importance of career development and personal growth in driving engagement levels and, ultimately, performance.

Comprehensive succession planning is the backbone of effective talent management. Development activities give all employees a basis for understanding their current strengths and an opportunity to develop towards future positions. This should not just apply to employees in senior roles, but across the organisation as a whole, through the implementation of a talent management strategy and culture.

Without a strategy for talent management, organisations are likely to experience declining engagement levels, which are often indicative of short-term HR policies, such as hiring externally on a needs basis and failing to look beyond the employee's next position in terms of his or her professional development. In this situation, managers cannot properly understand and utilise the strengths of their reports and do not consider how these might be better employed in other areas of the organisation. Consequently, line managers hold onto talent rather than releasing it elsewhere for the greater good of the organisation, as well as the development of the individual concerned.

The absence of a talent management strategy can therefore result in:

- Employees lacking personal career development goals and vision
- Low morale
- Absenteeism
- Poor performance
- Higher turnover of staff
- Poor customer service

The combination of the factors above has resulted in an estimated cost of £10.5 billion to the UK economy every year (CIPD 2007 study).

Effective organisations operate a clear talent management strategy, wherein all managers understand their role as developers of talent within their team, encouraging and rewarding those with high potential to look beyond existing roles to develop themselves.
The Challenges of Developing a Talent Management Strategy

An increasing number of UK organisations appreciate the principles of talent management, yet many are using processes which can be misaligned, comprising different selection and development techniques in various parts of the organisation. A familiar question is ‘How does one begin to develop a coherent talent management framework that justifies a strong business case for investment?’ This guide aims to develop a practical approach to developing a talent management strategy for any organisation facing this challenge.

Ten Steps to a Talent Management Strategy

Each of the steps consists of a number of action points, demonstrating how each can be achieved in practice. We have also included a summary of the output which is gained at each stage as a benchmark of progress for the practitioner seeking to implement our suggestions. It is our aim that, when set out as a series of manageable, tactical steps, the task of designing an overall strategy for talent management appears less daunting and can be approached with confidence.

Defining the need for talent begins by taking a look at where talent is located within your organisation before refining this model, adding the movement of talent, or ‘talent flow’, through the organisation from the point of entry, through promotion and career progression, to when and how individuals leave the organisation. From there, the need for talent across the organisation, and the key transition points for that talent, can be identified with the aid of HR metrics. This information forms the basis for a strategy to optimise talent throughout the organisation, developing the right people at the right times for maximum impact.

The key stages to developing such a strategy are summarised here:
A. Defining

1. Selecting a Model of Talent

- Given the complexity and diversity of organisational roles and levels, it may be helpful to simplify the types of role as suggested by the talent pipeline model of Charan, Drotter and Noel. This could include:
  - Administrative support
  - Technical knowledge roles (non-people manager)
  - Manager
  - Technical leader
  - Strategic leader

The following illustration demonstrates how talent may be distributed in an organisation. Once constructed, the model acts as a map, onto which a greater depth of information may be added later.

- This might require a review of the consistent competencies that run throughout your organisation. Building upon this, it may be necessary to determine those extra competencies that are required for management or strategic roles, in addition to those needed in technical roles without management responsibility.

- This could also include consideration of the opportunities available for certain employees at key transitions. A classic challenge is the technical expert who currently lacks management aspiration or the competence to progress into a line management role.

- If there are problems with talent flow across the organisation, it can be beneficial to consider organisational redesign, developing technical leader roles with management responsibilities passed to other specialists who have greater capability in this area.

**Output:** A framework that represents where talent is located throughout the organisation.
B. Refining

2. Establishing a HR Metrics System

The next stage is to uncover some useful HR metrics and to map talent ‘flow’ to the model of talent within your organisation:

- Review your HR processes for collecting information on recruits and leavers.
- Ensure that this information is reported and shared with key HR departments.
- Look at HR metrics including data from employee surveys. Analyse this data by specific departments and functional areas to identify any underperforming groups or teams.
- It may be necessary to implement new systems to collect data on sickness and absenteeism and integrate this data with performance appraisal metrics where possible.

**Output:** A system that collects the key talent flow data throughout the organisation.

3. Conducting a Talent Flow Review

- Understand the structure of your organisation and the main entry points for employees. This will require a clear process to ensure that recruitment levels are systematically recorded and HR has a record of where and when these decisions are made. The majority of these systems will already be in place.
- Identify the flow of employees both being recruited and leaving the organisation. If this is not already well documented, introduce systems to collect this data and report centrally.
- This may require data spanning a period of several years to build up a clear picture of trends in the various departments.
- Identify the areas which appear to have high levels of recruitment and turnover to determine where there are potential problems.

**Mapping Talent Flow**

The talent model, shown here, now includes the key entry and exit points for employees throughout the organisation, plus the transition points as employees are promoted into managerial roles.

This now forms the basis for evaluating existing assessment and development processes and for constructing a strategy to more effectively supply talent according to organisational requirements.

**Output:** An analysis of talent flow within the organisation with valid data that can be later used for building the business case supporting a strategy for talent management.
4. Analysing Talent Flow within Critical Roles

- Identify critical roles within the organisation and focus upon the recruitment and development of these individuals.

- There may be some technical roles that are also customer-facing, which consequently require extra investment in talent management.

- There may also be certain senior roles for which it has proved difficult to discover external candidates who ‘fit’ the role and organisation. In this case, there will be a critical need to develop high potentials from within the organisation to enable effective succession planning.

**Output:** A clearer understanding of the potential talent ‘risk factors’ within the organisation, where extra investment might be beneficial.

C. Auditing

5. Analysing the HR Practices Applied at Key Transitions

- A problem in many organisations exists where the top performing employee at a certain level is perceived as the natural successor, such as the top sales person progressing to sales manager, or nursing sister progressing to manager.

- These entry points and key transitions are important for analysis, as previous career experience and skills will not necessarily translate into effective performance in a future role. Careful assessment is required beyond traditional interviews and manager recommendation.

- Consequently, now that a talent flow has been established, the various HR practices surrounding selection and development can be reviewed. This should uncover some of the similarities and differences in terms of common competencies, recruitment processes and development tools used at key transitions.

**Output:** A balanced evaluation of assessment and development tools applied across the organisation and any inconsistencies.

6. Identifying Best Practice at Key Transitional Roles

- This phase may require some external support or knowledge sharing with other HR professionals regarding the range of tools and processes available.

- This could include Assessment and Development Centres to ensure that the competencies of the senior levels are carefully measured, rather than relying on a consideration of past experience alone.

- Development plans may also be needed to ‘stretch’ individuals who are motivated and enable them to demonstrate the necessary potential to move towards more senior roles. This could require the use of a balance of planned experiences, secondments, coaches and mentors to maintain momentum.

**Output:** An understanding of the gaps between existing and ideal HR practices.
7. Making the Business Case

- This utilises all of the outputs from the previous stages to calculate the Return on Investment (ROI) of enhanced talent management practices, based on an understanding of the flow of talent through the organisation. The benefits of assessment and development practices can be calculated based on the prediction of improved performance and offset versus the cost.

- The financial benefit of best practice selection and development can be quantified, given that a high performing manager is likely to be delivering at around 48% in excess of an average manager\(^2\) and that employees of all types have a wide performance range. In essence, selecting higher performers makes strong business sense. The challenge is to use robust processes that predict high performers with a high confidence – this is the so called ‘predictive validity’ of a selection process.

- There is considerable research evidence around the validity of some selection processes such as Situational Judgement Tests (STJs) and Assessment Centres, which show that there is typically a correlation with job performance of 0.3 - 0.4. This is far higher than traditional interviews, which can be around 0.2.

- With regard to developing high potential employees, the cost of losing such an employee in terms of recruitment costs and lost performance can be many times his or her annual salary. Therefore, investment in their development is fully justified as a sound financial decision.

**Output:** A clear justification for investment in enhanced talent management interventions.

D. Optimising

8. Modifying Processes to Build Talent for the Future

- This practical phase involves the design and delivery of assessment and development interventions aimed at discovering, transforming and energising individuals to take on senior positions across the organisation. This should also aim to develop a talent management culture, where all employees understand their future potential for personal and career growth.

- The development of high potentials is often identified as an important talent management objective, to provide a talent pool of potential future leaders.

**Output:** The implementation of more effective processes for talent flow.

9. Incentivising Managers to Recognise Talent and Release It

- It is essential that all managers in any organisation recognise that their employees have the potential to develop within their current role, and that some may have particular ‘high potential’ to progress to senior positions quickly.
• HR departments need to engage with all managers to encourage them to release high potential employees for development, even though this will affect them in the short term. This could include special opportunities for training and development for their team and possibly financial benefits for team members who successfully recognise and develop talent.

• These managers are a critical part of the nomination process for individuals approaching career transition stages to senior positions, and nomination processes should be carefully developed to include other stakeholders in addition to the line manager.

**Output:** A Talent Management mindset built into HR systems and processes.

10. Managing your High Potentials Actively

• It is important to actively monitor the high potentials who are identified as having the talent to become the senior executives or strategists of the future. These are a critical population and the organisation should be concerned with their career development, wherever they are currently located.

• Whilst there is much evidence that additional investment is justified for these chosen few, their performance and potential should be reviewed regularly, as their motivations and aspirations may change, affecting their continued suitability for such a scheme.

**Output:** A dynamic process for succession planning.

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**Summary**

This guide offers a practical approach to developing a talent management strategy that can be applied to organisations where there is a need to target investment in the most cost effective manner. The initial steps focus on developing a clearer understanding of the flow of talent throughout the organisation, helping to define where critical role transitions occur.

The auditing phase generates data and evidence to help make the financial justification for investment, which is an increasingly critical requirement for all HR programmes. The optimising phase then identifies the key critical success factors for any initiative.

This paper is designed to assist HR professionals in the alignment of an organisation’s ‘people strategy’ with departmental requirements for talent, and prepare the ground for the implementation of such a strategy.

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For more information about talent management, please call us on +44 (0)1483 752900, email info@adc.uk.com or visit www.adc.uk.com

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**References**


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Discover Talent – Assessment for Recruitment and Selection
Transform Talent – Management and Leadership Development
Energise Talent – Employee Engagement and Motivation

The end result for clients is the right people delivering the right results in the right way, now and in the future.