

Saratoga
Human resource services

The Saratoga Review

Newsletter Issue: August 2008

In this issue

Maximizing talent: Strategies for making the most of your people

Information in an overloaded world

Metric of the month: Executive stability ratio

*connectedthinking

PRICEWATERHOUSECOOPERS 

Maximizing talent: Strategies for making the most of your people

According to the US Department of Labor, by 2014 more than one out of every three US workers will be 50 years of age or older. The exodus of baby boomers from the workforce will leave vacancies in critical leadership and other pivotal roles.

Today, companies are already beginning to see the profound need for a new approach to maximizing talent. However, as many companies are discovering, reacting and adapting to current talent trends will not be enough. Thinking of talent as a long-term asset and distinct competitive attribute is a significant shift from thinking about talent as a discrete war that can be won.

Anticipating and preparing for future organizational, societal, and marketplace changes—and then weighing their implications on how to secure talent—are aspects of an organizational sustainability mindset. This article focuses on the key principles organizations need to integrate into their talent planning which include:

- Creating a strategic workforce plan
- Identifying talent strengths and gaps
- Developing talent that is strong and deep
- Managing succession
- Rewarding and recognizing performance
- Measurement

The remainder of this article will further describe each of these principles. To view the full version of the article, visit: <http://www.pwc.com/extweb/home.nsf/docid/EA400FC6C31B4857852573F3000F4453>

Creating a strategic workforce plan

Successful companies align and integrate their talent strategies around future business plans, and review those strategies regularly. For example, a forward-thinking global conglomerate currently integrates its talent strategy and planning into its annual three year business planning process. As part of key business strategies to sell or acquire divisions, part of the due diligence process involves assessing current and future talent requirements. Given the rapid pace of change, even corporations that have already embedded the talent-planning process into their strategic planning must be prepared to do it more frequently—even quarterly for economically vibrant regions—in order to anticipate emerging changes and to be able to modify strategies quickly.

Identifying talent strengths and gaps

To remain ahead of competitors, businesses must regularly assess their existing workforce to better leverage strengths and fill gaps through developing, recruiting, or acquiring the skills they need. Increasingly, successful large corporations are implementing

continuous assessment processes. Today, companies might get away with annually assessing all managers and above to identify strengths and gaps and then incorporating the results in their overall talent-planning process. In the future, however, organizations will need to find ways to increase the frequency of assessment and their ability to develop talent rapidly.

Assessment processes are even more important in companies that are growing through acquisitions. Such companies are discovering that it is critical to assess their people resources throughout the process, not just during due diligence.

Developing talent that is strong and deep

The cycle of workforce expansion and retrenchment that prevailed in the 1990s is simply not a viable approach in today's talent-lean environment. Instead, building a nimble workforce through training, coaching and mentoring will define success—and even survival. More and more, executives are finding they need to develop talent at all levels because pivotal roles and employees exist in all functions. Large corporations that focus only on developing a targeted group of high potential individuals to fill positions at the top of the organization are at risk.

Given the rapid pace of change, successful, large organizations are looking beyond traditional classroom and online training. For example, rather than training employees about business strategy and planning, one global consumer products company selected a group of pivotal employees from a variety of functions. The team focused one-third of its efforts for 120 days on a critical product issue. The team uncovered, tested, and solicited management's approval for a solution to the problem that resulted in an annual increase in profitability of \$6 million. You can bet that team members learned more than a bit about business strategy and planning in the process.

Unlike their larger counterparts, highly networked organizations tend to be lean. Therefore, when it comes to talent, their key challenge lies in the availability of sufficient talent alternatives. In these companies, frequent job rotations and multifunctional career paths are expected and required aspects of leadership development. For unique skill sets or highly refined technical skills, they maintain alliances and alternative talent pools to ensure they are flexible enough to respond and are able to expand capability as the market changes its requirements.

Managing succession

Organizations that successfully manage succession do so by building a deep pipeline of talent and by planning proactively with regard to developing and deploying these resources. While developing a pipeline to fill leadership roles in the top two or three tiers is critically important, large integrated corporations with foresight are also building talent pipelines at multiple levels. With most companies facing changing talent demands and a shrinking talent pool, these organizations are placing more focus on identifying emerging leaders throughout an enterprise, and preparing them not only to step into higher roles, but also to take on broader responsibilities for helping the organization fulfill its strategic plans.

To be effective, organizations are realizing they have to better anticipate the need for new skills and knowledge and, equally important, that they must continuously assess how to deploy people to broaden their skills through experience. Highly networked organizations approach succession planning differently. They focus on cross-functional development to ensure that talent is ready to step into new roles and to rapidly assimilate new responsibilities.

Rewarding and recognizing performance

In the current talent environment, organizations of all sizes are inspiring both individuals and teams with flexible and targeted forms of reward and recognition. As the rising generation of Millennials enters the workforce, organizations recognize the importance of understanding the rewards and recognition packages that motivate these individuals; it's not always about big bonuses and high salaries. A prime parking spot, tickets to a sporting event or a gift certificate to a day spa could go a long way in promoting short-term job satisfaction and attracting talent.

Similarly, on the other end of the demographic spectrum, employees approaching retirement have views different from those of their predecessors regarding how to leave the workforce. No company has yet mastered the concept of phased retirement as a means of managing knowledge and of collaboratively extending the working lives of highly valued employees. This is a frontier where the reward, recognition, benefits, and policy tools will need to come together to help close the knowledge gap that is part of the current retirement process.

Looking ahead, businesses of all types are rethinking their reward and recognition systems to accommodate and motivate workforces with diverse attitudes about job satisfaction. For example, there is rising evidence to suggest that employees are more focused on environmental issues and are making good corporate citizenship a part of the reason they choose to join or stay with an organization. Ultimately, this part of the public talent-attraction profile for your company will be measured by what actions occur, not by what aspirations are stated.

Measuring individual and organizational talent attributes

If talent issues are to be taken seriously, measurement is essential. The continued adoption of enterprise resource planning systems is actually a boon to the measurement and tracking of talent. With a properly configured system, the year-over-year and long-term views of individuals as measurable and valuable resources can be well served by enterprise systems. This will change. In the future, leaders of both large companies and networked organizations will be held accountable for developing and coaching people.

Executives at many organizations are realizing that placing talent on the business agenda is not enough. Going forward, measures around talent need to be part of a corporation's overall performance metrics. For example, an annual report discussing business performance might include how the company is performing on its talent metrics. Large corporations rely on the promotion of corporate culture attributes and behaviors as a means of engaging employees. Today's employees are looking to see these attributes and behaviors represented in how people are measured, rewarded, and promoted. Clearly, how metrics are applied will have an impact on attracting, acquiring, and keeping talent.

To continuously improve, highly networked organizations are integrating talent metrics at the project level to evaluate talent and its relevant impact. Among the challenges networked organizations face are partners whose systems of measuring contributions are completely different from their own. Thus, it is important to align talent metrics to the goals currently at hand.

In the future, organizations that uphold socially responsible ideals will have organizational and individual performance metrics in place to balance corporate results with the public good. To accomplish this, an organization might measure and report the number of hours spent by its employees on community service projects.

Looking ahead

No matter which path a business takes, there is one clear constant: more than ever, it must manage talent resources as carefully as it does business operations. Businesses seeking to practice talent maximization and sustainability are cultivating talent in their organizations today in order to prepare for the future.

Information in an overloaded world

What do instant messaging, Blackberrys, and cell phones have in common? All are forms of communication that have been adopted en masse over the past decade. We live in a world where access to information is unprecedented, but the ability to focus on and retain information has never been more challenging.

In the corporate world, different corporate functions compete for employee attention, and getting HR issues on an employee's radar can be a challenge. Capturing the interest of employees requires much more than an eye catching headline. A high degree of care and planning is required.

HR is the custodian of the employer brand, with the power to strengthen or weaken that brand depending on the quality and consistency of communications. No organization is alone in claiming to be a great place to work, but is your company living up to the image? It may have a "hip" external website, but if the internal intranet is out-of-date, inaccurate and creaky, your employees will notice. You cannot make people believe they are your greatest asset if your message is inconsistent or its delivery is poor.

One of the most important rules of employee communication and engagement is to put yourself in the shoes of the people you are trying to reach. For example, engaging twenty-somethings on retirement plans is not so much about the messages around savings or financial security, but about their core fears and hopes for the

future. The tone, language and method of communication are equally important—which, in a typical organization of diverse employees, creates enormous challenges for HR.

One of the dilemmas is that language is constantly evolving, as are the channels that people use for communication. Teenagers are masters of the text message and chat rooms, where informal speech and slang is the norm. While senior citizens have increasingly mastered email, few of them will be found sending texts on their mobile phones. What is a prime communication channel to some is no longer that to others.

This is also true in the workplace. Any organization will encompass many different cultures, skill sets, and age ranges. One form of communication does not fit all. How should we communicate in the new 'iPod' generation, when some will like to receive news by email, some by phone, some by text, and some by the most popular and overlooked form of communication—face-to-face? It is not easy.

People have different preferences on where and how they access information. This is where self-service technology proves valuable, as it provides individuals the power to access key information when and how they wish. For example, when the annual benefits enrollment period is opening, allowing employees to choose receiving the message by email, snail mail, phone, or text can be valuable. Delivering the message, though, is only half of the battle. Communication is a two way

process. Employee feedback is invaluable in assessing the success of a communication strategy and can also provide ideas that improve overall performance.

Self-service is a highly practical method of delivering a message, but it won't necessarily do for getting information back, particularly if what you are seeking are innovative ideas for shaping and improving the business. While employees will always find new and better ways of doing things, those improvements often remain isolated.

Consider the employees working in a Disney theme park who realized that visitors frequently forgot where they had parked their car. They found a simple, practical solution—writing on a board the times when each row filled up. This meant that by checking the visitors' entry tickets, the area to search could be immediately identified. Was this simple but effective technique communicated around the organization? What do you think?

Organizations seeking feedback should encourage the use of chat rooms or set up a blog, or use any other tool that makes it easy for staff to provide feedback in an effective and fresh way. An increasing number of CEOs use blogs to communicate and get feedback from employees.

But why should employees give you feedback unless there is something in it for them? We all need to understand what motivates people to communicate. PwC has been helping many organizations in this area. The importance of a robust system to measure employee engagement and the effectiveness of communication strategy cannot be overemphasized.

In all of this, however, it is important not to forget about human nature. Many of the modern forms of communication are isolated and detached. How many of

us have leapt into action after viewing a webconference or listening to a phone call? Human nature can be used to your advantage, and this is why, despite the rise of advanced communications technology, the "Look 'em in the eye" approach remains the most valuable form of communication.

The face-to-face approach gives the line manager, CEO or HR leader the opportunity to tell a story or paint a picture that could inspire improved performance. That is when direct feedback on the message can be received, immediately, from the individual concerned. While it may not be possible to speak individually to every employee, the ripple effect is a powerful phenomenon. You make an impression on five people, and those five people will spread the word. You cannot necessarily control the message once it has left you, but you can apply your energy and focus to give it the best chance of being heard.

Metric of the month: Executive stability ratio

Ensuring stable leadership ranks as a key goal for an increasing number of organizations. To help organizations measure and compare the stability of their leadership ranks with other organizations, PwC Saratoga has developed the Executive Stability Ratio metric. The formula for this metric is:

$$\frac{\text{Executive Headcount with Greater than 3 Years of Service}}{\text{Executive Headcount}}$$

A key assumption of this metric is Executives with three or more years of service are generally at, or entering, their peak productivity years, and are in a better position to manage complex organizations than their less tenured Executive counterparts. PwC Saratoga recommends tracking Executive Stability Ratio in conjunction with key workforce metrics such as Revenue per FTE, Voluntary Separation Rate and employee engagement.

Key contacts:

Northeast

Michael Tindall
michael.tindall@us.pwc.com
(646) 471-1296

Midwest

Patrick Meyer
patrick.meyer@us.pwc.com
(312) 298-6229

Southeast

Nik Shah
nik.shah@us.pwc.com
(202) 414-3866

West

Scott Pollak
scott.pollak@us.pwc.com
(408) 817-7446

Have an idea or topic that you would like Saratoga to write about? If so, we would love to hear from you! Please send your ideas and / or topics to saratoga@us.pwc.com.



The Saratoga Review is copyrighted and protected by federal law. The re-use of its content is restricted (see copyright statement below), but we allow sharing it in part or whole so long as proper attribution and our copyright are included. However, you are permitted, in fact encouraged, to forward this newsletter, in its entirety, to as many of your associates and colleagues as you wish. Or, have them sign up for their own copy at saratoga@us.pwc.com.

To unsubscribe from the Saratoga Review, please send an email to saratoga@us.pwc.com. Make sure to include the word UNSUBSCRIBE in the subject field. For more information, call 866-727-2864 or visit us on the web at <http://www.pwc.com/saratoga>

© 2008 PricewaterhouseCoopers. All rights reserved. PricewaterhouseCoopers refers to the network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity. PM 09 0043 07/08 PH