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"FOUNDATION STONE OF SUCCESSFUL TALENT MANAGEMENT – WHAT YOU NEED TO CONSIDER WHEN IMPLEMENTING TALENT MANAGEMENT IN YOUR ORGANIZATION"

PRADEEP SHARMA*

RESHU AGARWAL**

Abstract

The objective of any private sector organization is to generate products or services and sell them to clients. No matter whether the focus is on best quality, lowest cost, or on maximizing both, one important asset in optimizing productivity will always be an organization's best people – it's top talent. Irrespective of the economic situation it remains important to be competitive by leveraging the benefits of effective Talent Management. Why? Because effective Talent Management helps increase organizational efficiency and effectiveness and has a proven strong link to financial returns: eg. in a study of high-performing companies across industries and geographies, those organizations with the top financial results were five times more likely to run mature career development processes than the bottom performers.

Key Words- Implementation Approach, Sap, Organization, TM, Cornerstones.

* Ph. D Research Scholar (IFTM UNIVERSITY), MBA, B. Sc. (Bio. Tech)

Assistant Professor Dr. ZHIT, Tundla - UP.- INDIA

** Ph. D Research Scholar (IFTM UNIVERSITY), MBA, B. Com.

Assistant Professor, RBIT, Agra- UP.- INDIA

Introduction

Talent Management is about:

- Filling positions with the right (knowledgeable and productive) candidates
- Promoting high potentials in order to increase their organizational impact on productivity
- Developing staff to increase their efficiency in their current role
- Increasing performance and consistently retaining the best employees

These inbuilt factors become more relevant in light of the well known demographic factors such as aging, globalization of the workforce and generation x syndrome. Knowledge, experience, competencies and skills are the ingredients of human capital that need to be sustained and increased, not only in service organizations but in all industries. Recent studies made transparent that "only 13% of organizations believe they have a very clear understanding of the skills they will require in the next three to five years"2. Also only 13% of organizations believe that they are very capable of identifying individuals with specific expertise within the organization.

In this white paper we define Talent Management (TM) as:

…"integrated processes, activities and tools in the areas of recruitment, compensation, performance management, succession planning, career planning and learning in order to identify, promote, and retain talents and to increase their performance contribution."

By far, most HR decision makers cite TM processes such as performance management, compensation management and recruiting as the top priorities of their business, whilst recognizing that succession planning, goal management and recruitment are their weakest points3. How can this mismatch of perception and reality be overcome in order to improve in these strategically important areas?

Cornerstones of Talent Management and Prerequisites

A word of caution: Implementing TM is simple but not easy! TM requires a fine balance of cultural acceptance, processes, organizational structures and the right degree of system support (see figure 1: TM Cornerstones).[i]

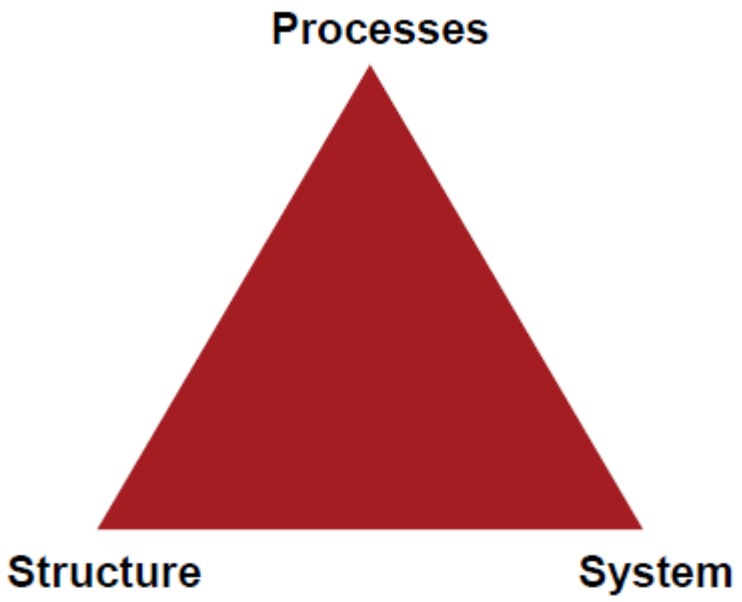

Figure 1: TM Cornerstones

Culture: TM requires acceptance and sponsorship from top management. Before even thinking about any first step, top management need to buy into the idea and must be convinced that: Recognising and promoting talent is worthwhile and has a positive bottom-line effect

on the P+L Professional development via the organisation's personnel function is the surest way to establish independence, fairness, validity and acceptance throughout the organisation Processes must be lived and adhered to by all levels. Building up trust requires time and effort, destroying trust long-term, however, is achieved very quickly. In order to have a chance to successfully implement TM it is crucial to ensure that the cultural foundation is established – the so-called cornerstones for vital TM: Organizational appreciation of talent is required to establish a performance culture Fair promotion of talent creates reliability. The process must be transparent, equal and predictable Live the correlation between performance and potential on one side and payments and promotion on the other side.

Processes: The system of different TM processes must be consistent and coherently integrated. Each process must create transparency about the performance and potential across the organization. In order to reach that, it is necessary to embed the processes into the business context routine and to adhere to them. eg. high potentials should be identified and assessed on an annual basis according to clear criteria, and be discussed and rated by management panels to increase cross-functional leveling and transparency.

Structure: TM can only be sustained on a permanent basis, if an organization ensures the management of talents, which is independent of company politics between functions and hierarchical levels. The organization must be empowered to set guiding principles, to be the last authority to outvote individual management opinions based on objective assessments. This helps avoid crown princes, the appearance of the well-known Peter-principle or the advancement of an underperforming employee out into another function.

System: TM is an integrated set of processes involving all employees, managers and functions. Dialogues need to happen, agreements need to be reached, decisions need to be approved and maintained. The right system support ensures efficient process, reduces the administrative effort and increases the organizational acceptance.

Prerequisites for successful TM

Organizations starting to implement TM need to consider the above mentioned facets upfront or at least treat them with highest priority during the introduction of TM, otherwise TM processes and tools will not be considered and applied seriously by employees and/or managers. The best approach to successfully start the TM project and to get top management support and buy-in, is to start with awareness sessions to clarify roles. The next step is to mandate and authorize the right organization (PD/OD) with the implementation. A solid organizational change program charter, including the organizational development architecture and project plan should be presented and signed off at the end of the awareness session. The project plan needs to cover all aspects of the TM Cornerstones (see Figure 1: TM Cornerstones)

The change management support for the TM implementation is especially important to address the upcoming hurdles. Initial organizational resistance is inevitable, since structured and authorized processes reduce the individual power of specific individuals, and the resulting transparency will uncover not only potential but also failure.

How Technology can support TM and what SAP can offerAdvantages of Talent Management with SAP

SAP Human Capital Management (HCM) is one of many solutions available on the market to support Talent Management processes, however, it has several important advantages which sets it apart from the rest:

Mature solution with global scope and support: SAP's position as the worldwide market leader in ERP solutions4 speaks for the quality and strength of its software. The HCM solution,

with over 30% market share5, supports payroll functions, regulatory requirements, and best practices for more than 47 countries and 30 languages. More than 10,000 organizations in over 110 countries are running SAP HCM to manage in excess of 60 million employees.

Integration with ERP processes: as a core module of the ERP solution, SAP HCM offers seamless, immediate integration with other areas of the organization. The potential benefit cannot be underestimated: organizations leveraging a fully integrated technology platform have HR costs per employee that are, on average, 30% lower than the average organization6. Integration points between TM processes and other business areas include: post learning costs into controlling,

tracking employee absences due to external training, reflecting compensation results in payroll and taxing accordingly, and cascading strategic company goals into department and employee performance plans.

High adaptability: TM in SAP, as in all other SAP solutions, has been designed to be highly adaptable to the individual needs and processes of each organization –through system configuration, add-ins, ad-hoc reporting, plus customer-developed reports and functions. Country versions of the core employee modules are supported.

Strong analytics: the potential value of complete HR solutions can only be realized if the gathered data is ready for easy access and analysis by both HR and managers, helping identify workforce trends and make systematic business decisions. To this end, SAP Business Information Warehouse (BW) offers advanced, flexible workforce analytics.

Integration with other state-of-the-art business tools: including Nakisa Visualization, Business Objects Web Intelligence, Xcelsius, and Crystal Reports. The SAP HCM module offers a wide range of functionality to support successful management of talent in the organization. At the basis of the HCM module are the Organizational and Employee Data, as shown in figure 2 below. The Organizational Data covers departments, jobs and their related prerequisites, as well as reporting structures; while the Employee Data covers all relevant personal and career information of the individuals.

The Talent Management processes sitting on top of these core modules are each described below.

E-recruiting	Performance	Succession Planning	Learning	Compensation
Publish job postings	Determine goals	Identify key positions	Create course catalogue	plan remuneration
Maintain applicant pool	Review goals	Create successor pool	Book & deliver training	Reward performance
Evaluate recruitment	Measure achievements	Develop successors	Follow up on course	Compare to market
Organizational Data		Employee Data		

Figure 2: Processes in SAP TM

E-Recruiting

The SAP E-Recruiting module offers an end-to-end solution to cover all steps of the recruitment process, with support to store, track, filter and rank applicant and employee information, to maximize effectiveness in identifying the best candidate for a position. The module offers functions to proactively network with potential candidates, to plan and budget recruitment processes, and to analyze and measure their success. For a more in-depth analysis of the capabilities of SAP E-recruiting, refer to Lodestone's paper on SAP E-recruiting7.

Performance Management

At the core of the Performance Management processes in SAP stands the Objective Setting and Appraisal (OSA) module: the functionality for managers to plan, review and assess performance goals. A second cornerstone of Performance Management in SAP is the Competency Catalogue, where a set of transparent, measurable qualifications is first defined, then mapped: On one side to each position is the organizational structure, clearly establishing the profile re quired to perform a job, and In parallel is the profile of an employee, including tracking of their skill set and skill gaps in the workforce.

Together, the Appraisal and Competency Catalogues enable an organization to follow the performance and growth of an employee over his full career in the company; they also set the basis for more transparent recruitment and advanced decision-making.

Succession Planning

The Succession Planning module in SAP extends the Performance Management functions by recognizing key positions and, based on Appraisal and Qualification information, identifying high-potential employees best suited for them. This process is supported by profile match-up reports to link job requirements with potential candidates. Furthermore, the *SAP Talent Visualization by Nakisa* extends the reporting capabilities with a visual layer for managers and HR to more easily analyze and decide on Succession Planning paths.

The Succession Planning module helps ensure that staffing requirements are met, that transitions between incumbents and successors run smoothly, and that employee development reaches its maximum.

Compensation Management

The SAP Enterprise Compensation Module (ECM) supports the remuneration processes including: Manager review of their employees' fixed and variable pay via Manager Self Service, tied to performance results Compensation Manager defines guidelines for eligibility compensation plans, budget reviews and approval of salary increases Compensation Manager defines budget and approves stock options Manager and employees grant, track, and exercise stock options The module also includes a Job Pricing component to import survey market data for jobs from different sources, and compare it to the internal salary structure.

Learning and Training Management

The SAP Learning Solution (LSO) module provides an enterprise learning platform capable of managing and integrating business and learning processes and supporting both e-learning and classroom training. The Learning Solution is a key tool of TM, as it empowers employees to actively manage their own development and education. LSO is integrated with the Performance Management module to ensure the transfer of qualifications in both directions. Required or expired job competencies appear in the employee Learning Portal, and after successful course completion the acquired competencies flow to the employee profile.

Talent Management Implementation Approach

There is no one-fits-all recipe on how to approach a TM implementation, as organizational concerns regarding structure, process readiness, budget and time constraints play an essential role in the decision making. Instead, there are several dimensions to consider, and basic principles behind each of them.

However, based on many international implementation projects, Lodestone has developed its own implementation methodology, called IDEA (see figure 3: IDEA). It comprises all the relevant dimensions of a successful implementation project, independent of scope or sequence.

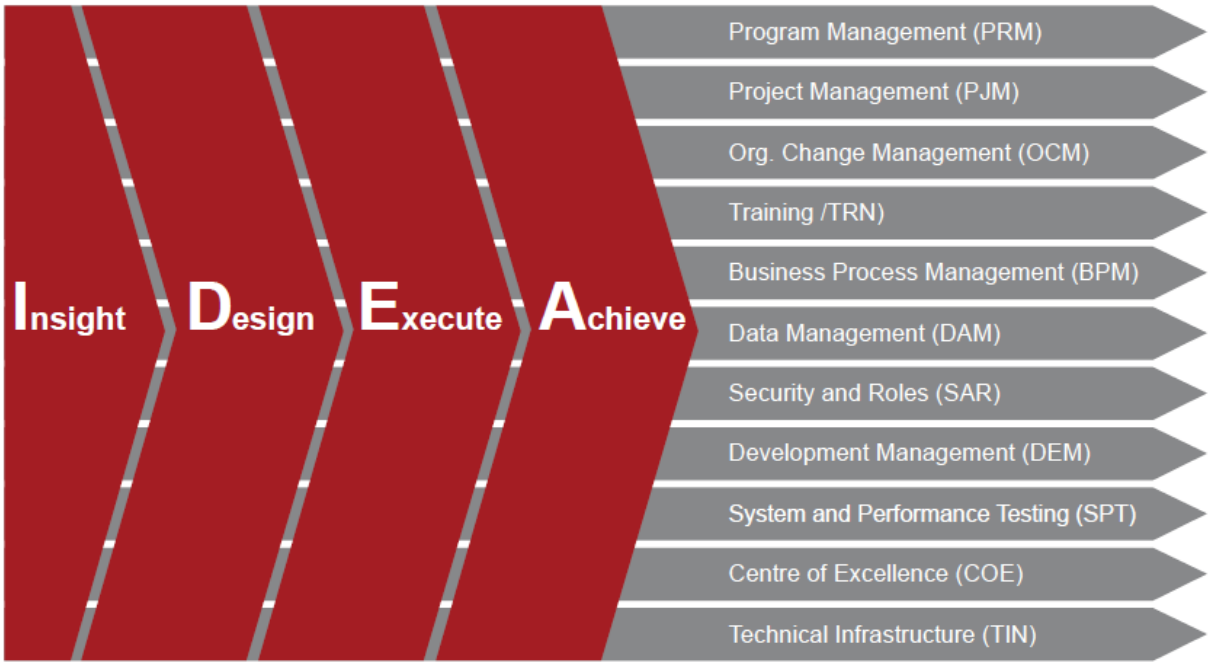

Figure 3: IDEA Methodology

Business goals

The guiding principle during the full project duration must be to establish clear, quantifiable business goals to achieve. These goals can be aimed at cost reduction e.g. through lowering HR overheads or optimizing the compensation structure; or they can be focused on increasing productivity, for example by increasing the quality of new hires, or the readiness of key successors. Whichever goals are chosen as most critical for the organization, they must be measurable and serve as guidelines for the project actions and priorities.

Choice of modules

The five modules of SAP Talent Management described in chapter 2 are linked but are also able to work independently. In order to decide about the right implementation scope and sequence you should consider the following diagram and decision criteria as a basis (see figure 4: TM Implementation Scope): The more decision criteria that are answered with "high or yes" the more likely it is to choose the respective module first.

Module	Decision Criteria			
Recruiting	Volume of Applicants	Potential cost reduction/ efficiency gains	Turnover-rate	Applicant market
Performance Management	Potential integration with Compensation	Potential integration into Learning	Likelihood to cascade objectives from top-down	Harmonization degree of OSA templates
Compensation Management	Clear harmonized, rules for merit increase	Clear and harmo-nized, rules for bonus payments	Cultural acceptance of line manager empowerment	
Succession Planning	Amount of key positions	Amount of key employees	Transparency in organization	
Career Planning	Are development options available?	Can you keep what the career is promising?	Benefits of crossfunctional developments	
Learning	Volume of trainings	Learning intensity of your business	Cultural acceptance of self-empowerment	

Figure 4: TM Implementation Scope

Sequence of implementation

Once the breadth of the implementation is defined, it is worth analyzing the benefits of an all-in versus a staged approach. From the SAP technical perspective the order of implementation is flexible, and is best driven by:

The readiness of the underlying processes The business need for an improved solution Technical concerns may affect this decision, e.g. the e-Recruiting solution is often implemented in a separate system for security reasons. Therefore this module may follow a later timeline. Fore example, Gartner sees customers more often selecting Employee Performance Management (EPM) solutions that were more integrated with compensation and succession planning8.

The parallel implementation of several TM modules certainly increases the complexity through integration in other processes and the need to align requirements of various organizations within HR, like compensation department, personnel development department, business partners, other CoC's, et.

Geographic scope

Similarly, a customer may choose to do a global implementation, and either start with a pilot location or a region, or any option between the two. The choice of one initial pilot location makes most sense if the financial benefits of a full implementation are still unclear, or business processes are too far from standardization among locations; in this case one initial implementation helps to get a first measure of the system benefits, whilst keeping risk and costs under control.

Local issues

Any realistic HR implementation across several countries will entail a careful balancing of global versus local needs. Although a full analysis of local issues is beyond the scope of this paper, it's worth mentioning typical local issues tied to TM:

Data protection: especially regarding salary data, it's a key topic worldwide – but even more so in the EU. A Compensation solution for Europe must analyze carefully the strength of its authorization model. The physical hosting of the HR solution is also a topic for EU employees. Any data transfer outside of this jurisdiction must comply with strict security requirements. Non-discrimination policies vary widely among countries. Each local definition has an impact on e-Recruitment data, both on the applicant and on the job posting side. For example applicant details like race and gender may be left out when hiring in Hong Kong or Great Britain, while age ranges should be avoided in US job descriptions.

Translation of employee communications: several countries, amongst those, Poland, Portugal and Chile, dictate that all employee communications must be offered in the local language.

Learning requirements are also subject to different local regulations. For example, companies in France are obliged to declare vocational training taken by their employees in a specific legal report– the so-called report 2483. Industry-specific regulations, like 21 CFR Part 11 for the pharmaceutical industry, also shape the design of a learning solution. For more details on LSO's FDA compliance, see SAP's assessment paper on the subject9. Works council involvement: In Europe and parts of East Asia, unions or works councils have a right to "information and consultation"; meaning their buy-in of an HR system must be considered during the project implementation. The subject of stakeholder buy-in is discussed in the next section.

Conclusion

Successful TM implementations need to consider the cultural, process and organizational dimensions equally important to the actual system implementation. Top Management needs to sponsor the initiatives in order to

– Create a performance culture

– Enable fair promotion of talents

– Establish the correlation between performance and potential on one side and payments and promotion on the other side

The right TM modules and the sequence of implementing them should be decided with clear business goals in mind, and be based on clear organizational criteria like process readiness. Successful SAP TM implementations have a strong governance structure in place, focus on processes first and on technology second, maximize user friendliness, and are brought to life with the help of an experienced consulting partner.

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