Today’s Agenda

- Globalization and Talent Management
- Drivers of Global Competition for Critical Talent
- Six Components of Talent Management Strategy
- Case Studies: SAS and Southwest Airlines
The most important corporate resource over the next 20 years will be talent: smart, sophisticated businesspeople who are technologically literate, globally astute, and operationally agile. And even as the demand for talent goes up, the supply of it will go down.”


SHRM has always said “Human capital is Company’s most Critical asset”
August, 2010, SHRM-EIU global survey found that C-suite executives believe their two biggest challenges in the coming 10 years will be:

1. Retaining and rewarding the best people.
2. Attracting the best people to the organization.
SHRM Aug, 2010, poll
- 47% said their top investment challenge is:

**Finding human capital and maximizing their human capital investment**

Recruiting and holding onto the best talent and getting the most out of people is critical
Global Shortage of Talent

Manpower May, 2010, Talent Shortage Survey

No lack of talent! It’s “talent mismatch”

Technical skills + Critical thinking skills
Globalization – Employee Mobility

- Lowered trade barriers
- More democratic countries
- Inflation rates low / steady
- Low-cost telecommunications
- Rising skill levels of labor
- More investment worldwide

Conditions right to go where best people are at the right price
New Global Competitors

China

- 1.3 billion people
- Averaged 9% GDP increases for last 30 years
- On track to become world’s largest economy by 2050
- Major outsourcing/manufacturing hub

India

- 1.1 billion people
- At least 20% of population speaks English fluently
- Preferred outsource destination for call centers and other services
- Growing middle class that currently numbers 300 million

Negative growth in most developed countries
Looking Ahead: Economic Growth in 2010-2011

Growth in emerging markets 3x as great as advanced countries

2011 projected
China 9.6%
India 8.4%
What does it Mean for HR?

Global war for talent will heat up

Business leaders to look to HR for more than transactional expertise

They will look to HR for people strategies to help their companies prepare for growth

HR professionals will come under increasing pressure to retain and develop their top talent
What is Talent Management?

“The implementation of integrated strategies or systems designed to improve processes for recruiting, developing, and retaining people with critical skills and aptitudes to meet current and future organizational needs”
“The small group of individuals who drive a disproportionate share of their company’s business performance and generate greater-than-average value for their customers and shareholders”

Source: Deloitte study: It’s 2008: Do You Know Where Your Talent Is?
Integrated Talent Management Strategy

Six Components

1. PLAN Talent Needs
2. ATTRACT Critical Talent
3. RECRUIT Critical Talent
4. ASSESS Critical Talent
5. DEVELOP Critical Talent
6. RETAIN Critical Talent
Plan for Critical Talent Needs

Component 1

The Process

- Strategic planning - analyze near/long-term business plans to understand critical talent needs

- Periodic interviews/discussions to determine timing of retirements, downsizing, and other changes

- Contingency planning using different scenarios

- Succession planning in conjunction with leadership development initiatives

- Goal is to avoid knee-jerk reactions to changing workforce needs
Attract Critical Talent

Component 2

Targeted Branding

• Project a positive corporate image

• Ideal image: GREAT company with opportunities, support, challenging work, happy customers and employees, good pay and benefits

    SHRM research has shown that CSR programs can help project a positive image by showing a company is a “good corporate citizen”

    > Financial performance
    > Quality of life of their employees
    > Local communities
    > Society at large
Recruit/Identify Critical Talent

Component 3

Look Inside First

- Internal candidates – best bet!
- 2008 Equilar survey of S&P companies: CEOs hired externally cost 51% more than internal hires
- IBM and other large companies have extensive databases to identify internal job candidates
- Referral programs save time and money in identifying critical talent
Recruit/Identify Critical Talent

Component 3 (cont’d)

Look Outside Next

• Leverage employees: Yahoo uses high-profile employees as “Talent Magnets” to contact potential candidates

• Job-posting sites, such as Monster.com and CareerBuilder.com, are key tools to cast a wide net for job candidates

• Social networking sites, such as Linked-in and Facebook, have become fertile ground for recruiters over the last two years

• SHRM’s online job posting service allows members/non-members to post ads on job boards
The ability to learn the right lessons from experience and apply those learnings to new and first time experiences

Kim E. Ruyle
Lominger International: A Korn/Ferry Company
kim.ruyle@kornferry.com
Those high in learning agility:

- are critical thinkers who examine problems carefully and make fresh connections
- know themselves and are able to handle tough situations
- like to experiment and can deal with the discomfort of change
- deliver results in first-time situations through team building and personal drive

Kim E. Ruyle, VP Product Development
Lominger International: A Korn/Ferry Company
kim.ruyle@kornferry.com
Screening Tools

- Defining characteristic of high-performing HR departments is ability to screen mountain of candidates and pick the right ones.

- Screening by behavioral interviews and skills and aptitude tests can minimize hiring mistakes.

- Well-applied employee selection measures improve successful candidate fits by 25% or more.

- Some success by combining a relaxed, informal session to complement a formal interview.
Deloitte Study *(It’s 2008: Do You Know Where Your Talent Is?)*

- Effective development of critical talent means much more than traditional education or online education.
- Providing “real-life” learning that stretches employee capabilities can decrease employee churn and bolster retention efforts.
- People learn the most from those they trust – bosses, subordinates, peers, and mentors.
- Mentoring and coaching – with clear expectations and defined goals -- are crucial to development strategy.
- Manage performance for growth and development.
Manage performance for growth/development

• Top performers = up to 12x productivity of average performers
• Top performers outperform the average by 40-50%
• Performance management systems, as part of High Performance Work Systems, can improve many outcome measures, such as productivity, product quality, innovative work practices, etc.

Source: Lombardo & Eichinger, The Leadership Machine - 3rd Edition
Performance Management

• Leverages Human Capital
• Aligns Efforts with Strategy
• Differentiates Performance
• Creates a High-Performance Culture

Kim E. Ruyle
Lominger International: A Korn/Ferry Company
kim.ruyle@kornferry.com
“Organizations…must concentrate on the things that employees care about most: developing in ways that stretch their capabilities, deploying onto work that engages their heads and hearts, and connecting to the people who will help them achieve their objectives.

By focusing on these three things, attraction and retention largely take care of themselves.”

Source: Deloitte study It’s 2008: Do You Know Where Your Talent Is?
Skilled employees are a premium and will be basis for competitive advantage when economy recovers.

Average cost to replace an employee is at least 150% of the employee’s base salary, according to the Bliss-Gately “Cost-to-Replace Tool”.
If a company with 1,000 employees and an average base salary of $50,000 lays off 100 employees -- or 10% of its workforce -- it will spend $7.5 million in addition to their salaries to replace them.

These costs include lost productivity, recruitment and new hire costs, and training.
Retain Critical Talent

Component 6 -- The Basics

- Retention = process of keeping employees who add value to the organization

- To retain critical talent, provide compensation/benefits so employee feels valued

- Create corporate culture that rewards people emotionally and meets their professional expectations

- Employees value challenging work, open communication, growth opportunities, and flexible workplaces
• Preventive Health and Wellness Benefits
• Flexible Working Benefits
• Family-Friendly Benefits
Employees rank benefits a top contributor to job satisfaction

- Strong benefits package = higher rates of employee satisfaction/retention

- Communicate value of the organization's benefits package so employees fully understand options/true value

- Use total compensation statements, benefits workshops/fairs, employee meetings and social networking tools

- Leverage existing benefits plans and improve on them by regularly reviewing plans and asking for employee feedback.
SAS ranked #1 among Fortune Best Companies
Case Study -- SAS

#1 on 2010 Fortune 100 Best Companies to Work For List

SAS benefits:

High-quality child care at $410 a month
90% coverage of the health insurance premium
Unlimited sick days
Free medical center - 4 physicians and 10 nurse practitioners
Free 66,000-square-foot fitness center and natatorium
Lending library
Summer camp for children

On “Best Companies To work for” list for 13 years
Case Study – SAS

**Company philosophy:** Give people experience they need – including overseas assignments – to develop professionally

Turnover at SAS is 2% -- industry average is 20%

Emphasis is on helping people find their niche and then coaching them to excel

Detailed skills database helps SAS managers analyze potential skills gaps

Dynamic models allow managers to test different workforce scenarios

Dedicated “networkers” have full-time job to match managers and the skills they need
Case Study – Southwest Airlines

Great Employer Branding

Our Employees LUV working at Southwest Airlines, and here’s what others have to say:

• Ranked 12th on Fortune’s “Most Admired” list in 2007
• Made Forbes “Platinum List” in 2007
• Ranked by Business Week as one of the top “50 Best Places to Launch a Career”
• “Most Admired Companies Among Women” by Professional Women’s Magazine in 2005
• “100 Best Corporate Citizens” by Business Ethics magazine for eight years in a row
• “Corporate 100” by Hispanic magazine since 2000
• Included in the “Top 100 Most Innovative Technology Organizations” by InformationWeek in July 2007

We have a legendary past, a bright future, and a simple mission to give America the freedom to fly.
Case Study – Southwest Airlines

2009

• 37th year of profitability
• Net income $194 million
• 39th consecutive year w/o layoff

BEST IN CLASS

• Highest customer service ratings
• Most productive work force
• Lowest turnover rate (6%) in airline industry

Mission Statement: “The mission of Southwest Airlines is dedication to the highest quality of customer service delivered with a sense of warmth, friendliness, individual pride, and company spirit.”

Organization focus – positive relationships with customers and employees
Case Study – Southwest Airlines

Famous for its fun culture

Hard work=part of the corporate culture

Company has proven many times it will be there for its employees in bad times

**CEO Gary Kelly**: “After 35 years, we’ve never had a layoff, we’ve never had a pay cut, so there is a devotion to the people and a commitment to our people once we hire them”

*From Feb. 21, 2006, on SHRM-sponsored TV program, CEO Exchange*
Going Forward – Look to SHRM for Support
SHRM toolkits aggregate resources, articles, links, and other practical information related to a specific HR topic

Some relevant Toolkits:
- Talent Management
- Managing Flexible Work arrangements
- Interviewing
- Managing for Employee Retention
- Workforce Planning
- Workforce Readiness
- Introduction to Staffing Management
- Managing Employee Onboarding and Assimilation Process
Summary -- Takeaways

- Globalization has spawned a global competition for talent
- 2008-09 recession put this competition on hold only temporarily
- To help your organization compete as the economy recovers, develop a comprehensive six-part talent management strategy
- Emulate SAS and Southwest Airlines, and seek to become a Great Place to Work
- Look to SHRM for support
Society for Human Resource Management

www.shrm.org

(Please note that these slides are copyrighted material and may only be distributed to an audience at a SHRM speaker presentation. Further distribution is not allowed, except with permission by SHRM.)