

## Attracting Top Talent With Performance Management

October 2005 - Robin Athey & Nick van Dam, Ph.D.

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Globalization, the upcoming retirement of baby boomers and a growing skill gap are creating unprecedented pressure to attract and engage critical talent—those people who create the most value for an organization. Current approaches to performance management fall short in light of such trends. What can leaders do? To begin with, they must examine their approaches to talent management, which often focus on the acquisition and retention of high-performers. Such tactics tend to not tap into what people need and expect from employers. Rather than focus on acquisition and retention—the endpoints of the talent management process—leaders must build strategies around the things that matter most to critical talent: development that fosters personal and professional growth, deployment to projects that tap skills, passions and connections to one another.

Globalization is proving to be a contest for resources—both natural and human. In an age where growth is largely a product of creative and technical advancements, companies must engage people like never before to innovate and grow. Only those companies that win the hearts and minds of their top talent will deliver both short- and long-term value.

The contest for human capital is evident everywhere, although the nature and significance of trends vary from country to country. Throughout the Western world, the retirement of the baby boomer generation will create large vacancies across industries. In Europe, that trend will be particularly potent due to low birth and immigration rates. In China, the single-child policy has led to a deficit of skilled workers, especially in urban areas. These massive shifts in the workplace population will be exacerbated by educational trends. For example, in the United States and Japan, the percentage of students graduating with science and engineering degrees hovers in the single digits, far below the percentages for India and China. Such trends suggest a talent market unlike any that we have seen.

The game is changing in other ways as well. Jobs are no longer static. Companies must continually train and develop employees if they are to keep pace with speed and complexity. They must create mobility to deploy people where they are needed most. They must connect people across businesses, divisions and regions in ways that promote high-quality decisions and fast execution.

Responding to today's workplace demands means that firms must offer more than just a good paycheck. Record-high numbers of dissatisfied workers already cost organizations millions of dollars in lost productivity. In the face of such challenges, traditional approaches to managing talent fall short. Why is that, and what must firms do? What do shifts in the way that talent is managed mean for performance management?

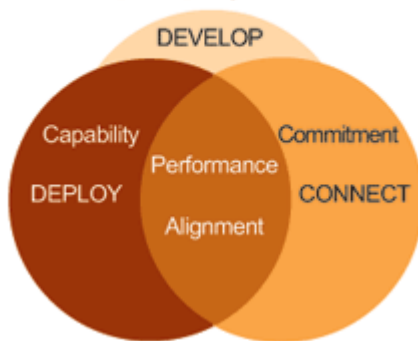
In the 1990s, companies responded to shifting labor markets by launching a “War of Talent.” Today, bidding wars lead firms to spend over 50 times more on recruiting than training. This sets firms up for inevitable churn. Even the best recruitment tactics will not suffice in the struggle ahead. Rich compensation packages and “hot skills” bonuses are easily matched by competitors. Instead, a more thoughtful response is required—one that lures critical talent, but more importantly, engages the workforce in ways that promote the flexibility and productivity needed for innovation and growth.

As the competition for critical talent heats up, organizations must rethink the ways they

manage talent. They must identify the segments of the workforce that drive their current and future growth. These are not just the stars, who are often the first to leave when other opportunities surface. Instead, they are the overlooked people who create the value that leads to growth—educators, researchers, customer service professionals—whoever does the work for which the market rewards innovation and differentiation. Then, rather than focus on acquisition and retention, firms must concentrate on developing in ways that stretch their capabilities, deploying onto projects and jobs that engage their heads and hearts, and connecting to the people who will help them succeed. When leaders focus on what matters most for critical talent, metrics and outcomes such as attraction and retention take care of themselves.

The Develop-Deploy-Connect Model should be at the core of an organization's talent strategy. (See Figure 1.) By focusing on these three elements, firms generate capability, commitment and alignment in key workforce segments, which improves business performance.

**Figure 1.**  
**The Develop-Deploy-Connect Model**



### The Link to Performance Management

Much has been published about performance management and there are different uses of the term, but according to Bart Slottje (in 2003), the main characteristics of performance management include:

- An appraisal system, including goal-setting.
- A reward system, including compensation.
- Assessment and feedback procedures (e.g., 360-degree programs).
- Communication processes between employee and employer.

Broadly speaking, there are two issues with current approaches to performance management. To begin, a lot of energy is often spent on technological systems, and not enough invested in human needs. Second, in the quest for metrics, great emphasis is placed on what can be easily measured (such as hours of training) and not enough on the skills and behavior that will enable organizations to transcend the trends ahead. For example, globalization requires that individuals work effectively with colleagues halfway around the world. Does the nature and quality of their interaction help them build sustainable value? Is that recognized and rewarded? The retirement of baby boomers means that the younger generation must learn how to apply the boomers' deep knowledge and experiences in new ways. In what ways are

older and younger generations proactively engaging with one another to ensure smooth succession? An emerging skill gap means that people must learn faster, better and more continuously than ever before. This especially must be the case for the people who will forge future growth. If most learning is informal in nature, how well are they doing? How do you know? Finally, leaders must enable people to create the conditions that work best for them given the shifting nature of work. Are they succeeding? Are leaders throughout the organization effectively coaching and developing others in ways that promote growth?

One risk of working in a 24x7 world is that we become more connected to one another technologically, but less connected to those who will make a difference. Indeed, the best approaches to performance management involve a careful balance of high-tech and high-touch. They recognize that the most important aspect of performance management is often the conversation that occurs. The system is only effective to the degree that it supports the conversation. Indeed, one large transport and logistics company has achieved stellar results by requiring performance conversations between managers and direct reports on a monthly basis. Workers are asked to spend at least one hour reflecting before each conversation. The result has led to a peak in profitability never before experienced in the 120-year-old company.

### **Developing, Deploying and Connecting**

Whether you're a CEO or a machine specialist, work is getting faster and more complex. Jobs today require cognitive and analytical capability, personal skills, political savvy, influence and persuasion, delegation, adaptability and cultural know-how. Such capabilities tend to be developed outside the physical or virtual classroom. We learn when we take risks from our interactions with one another. Given the nature of learning, why do we invest so much time, money and energy in training? It's often because training hours can be measured. On-the-job learning is harder to capture, but given the nature of emerging trends, leading firms recognize that learning is most effective when it is knitted into the fabric of people's projects, roles and jobs. It is self-led, but also strategic and intentional. Individuals are coached to become more self-aware about their career interests and relationships, and rewards are given to those who promote knowledge-sharing—whether it occurs at the water cooler, through mentoring programs or on the golf course.

People learn the most from jobs that stretch them, and they perform the best when they actively define the roles that tap their deepest passions and skills. Some of the most successful people were never educated or trained for the roles they mastered. Mitch Kapor was a disk jockey and transcendental meditation teacher before he founded the Lotus Development software company. David Ogilvy was a chef in Paris, a farmer in Pennsylvania and a member of the British Intelligence Agency before he made a mint in advertising. Yet we have a tendency to pigeonhole people based on the confines of their résumés. Leading organizations go to great lengths to help their talent find the roles and projects that engage their heads, hearts and hands—but they don't allow such exploration to happen in an ad-hoc matter. Engaging people in this way requires a clear strategy, good technology and lots of dialogue. Savvy leaders don't wait for performance management systems to tell them when people are not aligned. They manage their talent on a real-time basis, employing dialogue and coaching to ensure that individuals head in directions that tap the best they have to offer.

As jobs become more complex, who you know is increasingly becoming more important than what you know. Career research suggests that networks may be the most important

determinant of professional success. People with rich and diverse networks develop social capital. This social capital helps them land jobs and roles where they thrive. It also helps them win the trust and support that they need to get results. To increase performance today, organizations must help key individuals connect with the people and knowledge they need to perform. They must coach people to skillfully engage with others. Research suggests that a tremendous amount of performance is lost due to miscommunication and toxic interactions. One study conducted by Rob Cross of the University of Virginia and Wayne Baker of the University of Michigan found that the “energizers” in an organization (i.e., those who energize the people around them) were four times more likely to be high-performers than those who simply bring knowledge and skills to the table. Another study, conducted by Tiziana Casciaro of Harvard University and Miguel Sousa Lobo of Duke University found that the “lovable fools” in an organization tend to be higher performers than the “competent jerks.” People are drawn to people they like and increasingly shun those who steal their energy. Tools such as social network analysis are proving immensely helpful in helping leaders to understand where the energy resides in their organizations—and where it is being sapped. Such feedback should become a core piece of performance management.

In the coming years, most companies will have no choice but to seriously rethink their talent and performance strategies. But shifting demographics should not be the only reason. Improving the performance of critical talent directly improves organizational performance. Furthermore, focusing on critical talent is relatively new territory for most companies and offers a new way to compete. Compared to investments in customer, technical and financial strategies (which may become commoditized over time), a well-designed talent strategy can truly differentiate an organization.

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## **The Disengaged Employee**

Waves of downsizing, employer demands, job disenchantment and technologies that keep employees plugged into their jobs both day and night have taken their toll. If recent surveys are any indication, more than half the workforce is fed up. Pollster Gallup has found that 80 percent of British workers lack commitment to their jobs, with a quarter of those being “actively disengaged” from their workplaces. The situation is worse in France, where only 12 percent of the workforce is actively engaged, creating a corrosive force in organizations.

Disenchanted workers pull down productivity, increase churn and darken the morale of the people around them. The annual economic costs are huge: as much as 100 billion euros in France, \$64 billion (U.S.) in the United Kingdom and a whopping \$350 billion (U.S.) in the United States.

How can managers reduce the losses caused by an exhausted and demoralized workforce? Helping employees to effectively manage information overload is one important step. Providing them with the tools they need to get their job done in the most effective way possible is another. But a crucial and often overlooked source of disengagement comes down to workplace relationships. Emerging research suggests that workplace toxicity may trump other factors when it comes to employee morale and performance. The top reason people

leave comes down to their relationship with their boss. Rather than dive headlong into technology-based solutions to ameliorate work overload and stress, organizations may want to first examine the effectiveness of the people tasked with leading others. How often do they communicate with their direct reports? What is the quality of their interaction? Are their conversations transactional—or transforming? Do people leave meetings with their superiors feeling energized rather than sapped?

Technology helps us to connect in unprecedented ways—but the quality of connections with those who matter may suffer if we're not careful. To re-engage employees, a bit of “high-touch” goes a long way to complement our high-tech ways.

### **Six Questions CEOs Need to Ask Their HR Leaders**

Which segments of the workforce create the value for which we are most rewarded in the marketplace?

Which areas of our business will be most impacted by impending waves of retirement? What are we doing to prepare successors? What impact will anticipated retirement have on the skills and productivity necessary to meet future demand?

In what areas is the talent market heating up (e.g., demand will outpace supply)? Which segments of our workforce will be most impacted? What are the potential top-line and bottom-line implications?

What skills will be needed over the next five years that we don't currently possess? How will we create that capacity? What happens to our business if we don't?

What is our turnover within critical areas? How much is it costing us? In customers? In productivity? In innovation? In quality? What are we doing to resolve the root cause?

In what ways are we developing, deploying and connecting critical segments of the workforce in ways that will build sustainable value for the organization? Are we managing their performance in ways that meet their needs—and energize their engagement?

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