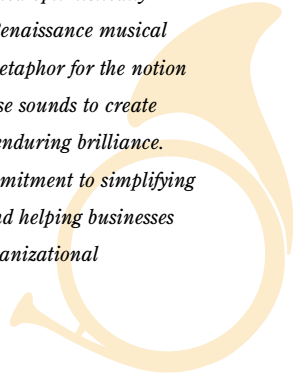


THE CLARION CALL



Talent, a Key Ingredient for your Business
– Now and in the Future

The clarion is a musical instrument of the Renaissance. Renaissance music brought people together, helped solidify communities, and reflected optimistically upon the future. In ensemble, Renaissance musical instruments were a powerful metaphor for the notion of community, combining diverse sounds to create focused, harmonic melodies of enduring brilliance. The clarion symbolizes our commitment to simplifying organizational management and helping businesses build dynamic, sustainable, organizational communities for the future.



*Darcy Topper, Darren Grady
Partners, The Clarion Group*

Talent Management is a hot topic. Almost weekly, magazines and blogs offer insights into how companies can ensure the best talent for their future. And companies are investing in robust talent development programs, innovative recruitment strategies, and well-developed data systems to track and match talent. We agree that you can't grow your business without the right talent. The question is, how?

We've seen organizations work with talent as an isolated factor. Invariably, they have limited success. In fact, the focus on "talent" can actually undermine the true organizational need by making talent a self-referencing objective and failing to deliver the capabilities required to achieve objectives.

We believe the key is to take a broad perspective that we call "Organization Capability Management" – a purposeful approach linking the key processes of talent management with the business's strategic, financial and organizational planning and management processes. This enables execution of current strategies as well as planning for future differentiation, innovation, and growth. It also shifts the organization away from believing that talent management is the responsibility of a single function – usually HR – and toward realizing that talent management is a business imperative shared among all functions.

In this issue of The Clarion Call, we share what we've learned about integrating talent management with other business management processes. We examine the key elements of Organization Capability Management and show how they can be the ingredients for a truly integrated plan for your organization's future success. As always, we welcome your feedback.

Talent, the one distinct competitive advantage every organization can develop

The idea that talent is a strategic component of business is not new. Enterprises large and small know that the talent they have is critical to their success. We've seen company after company build talent management systems and processes to assure their Boards or the Investment Community that they've got what it takes to scale and grow into the future. However, many well-designed and well-intentioned talent systems have failed to deliver on the promises of "the right talent in the right places at the right time" because organizations have focused too narrowly on the process and structure of talent management. They've neglected to recognize that talent management is not an isolated process to be carried out by the HR function. It is not just about the rating and ranking of high performers or the definition of CEO succession or the robustness of the talent management software. It is all that – and – it is about identifying, enabling, and developing the talent for the organization through an orchestrated strategic business rhythm that ties directly to the strategy and financial planning processes. This is why we call this work Organization Capability Management.

Organization Capability Management blends defining strategy and creating financial plans for the business with defining talent and organizational capabilities that will be required to carry out that strategy to meet the financial goals. Organizations have unique talent needs that drive their success. Talent planning is as important as strategic, financial, and organizational planning; and the integration and alignment of these

four processes creates a synergy of exceptional performance and sustained growth.

Integrating talent management processes with what is considered the core business planning work takes some adjustments; it takes some effort and discipline, but it's not impossible. It requires a commitment from business leaders to assume a different role in ensuring their organizations have the talent they need. It requires the commitment to deliberately incorporate the critical business processes – strategy definition, financial planning, and talent/organizational management – creating a new recipe for leading the business. Finally, it requires a broadening of management skills and tools to create results that drive performance.

Let's take a look at each of these areas.



Master Chef: The Leader's Role

The first critical component of Organization Capability Management is the leader's role. As we've discussed in a previous *Clarion Call* (*Teams at the Top: Their Unique Mandate, Fall 2006*), the leadership team has three key responsibility areas that only they can impact. We've defined them as Igniting Possibilities, Ensuring Viability, and Creating Alignment. Top leaders' vantage point offers them a holistic view of their organizational landscape; that, combined with their simultaneous management of these three responsibilities, enables them to make the decisions that lead to significant business and organization performance results.

Similarly, from that vantage point, and with that commitment to manage all the pieces of the business, a leadership focus on talent can position it as a significant competitive advantage.

Think for a moment about the role of Finance in an organization. The CFO brings deep understanding of how a business makes a profit, how the department financials combine and interact, how regulatory requirements impact the particular organization, and how to analyze and present financial data; he is the steward of the financials on behalf of the company. But the leadership team has to agree that paying attention to the financials is important; they have to agree that considering the financial investments, forecasts, and planning simultaneously with planning the strategy makes sense. Finally they have to make decisions about how to allocate precious financial resources across the organization to execute the strategy and meet business goals.

Similarly, the leadership team must take ownership of the talent resource of the organization. They must believe in the value of that ownership, and that belief must manifest itself in team time and attention. This work is not something to leave solely to HR leaders. The power comes from the leadership team combining their insights to see the full spectrum of factors that will define the business direction and ensure high organizational performance.

The Right Mixture: Incorporation of the Processes

The second critical component of Organization Capability Management is the intentional blending of the key business planning and management processes: strategic (focus of the business, basis of competition in the market), finance (profitability of business, ability to fund growth), talent (staffing of business, skills for today and tomorrow) and organization (structure of business, interaction with each other and market). This integration requires leadership to reset the way they plan and make decisions. It requires a different set of conversations – combining business processes to enable leadership to define a talent and organization plan specifically shaped by the needs of the future business as well as guided by the current business environment.

The key is driving these critical business discussions and decisions in concert and not in isolation. A great

strategy is only as good as the organization’s ability to deliver on it. Talent is a key ingredient to the sustainability and viability of the business.

Success with Organization Capability Management is dependent on having the answers to key questions that link strategy, finance, talent, and organization.

- What skills and capabilities will this strategy require?
- What skills and capabilities do we have now? What will we need to get/build?
- What critical roles will our business depend on to attain this growth?
- Who can we depend on to lead? What will they need to lead the business?
- What talent can we afford to invest in? How will we invest?

Asking these kinds of questions constantly, as an ongoing part of the leaders’ natural rhythm of the business, will result not only in clear plans for succeeding but also the data to understand both accelerators of and obstacles to that success. The graphic below illustrates one view of this and reinforces the importance of keeping the focus on talent completely intertwined with the strategy, finances, and structure of the business.

Tools of the Trade: The Right Implements



The third critical component is ensuring that managers have the right skills and tools to play their part. The HR function is critical for providing expertise and guidance on the traditional talent building blocks of attracting, developing, and retaining talent. For deep and continued success, though – for real Organization Capability – all managers in the business need to understand their own role in attracting, developing, and retaining talent; and they must have the capability to think broadly about talent and its role in driving business growth.

This requires solid data and information frameworks to support the integration of processes. Key data input to Organization Capability Management includes, for example: individual employee capabilities and potential, competencies and skills, performance history, career aspirations and potential for future, geographical distribution, and productivity differentials.

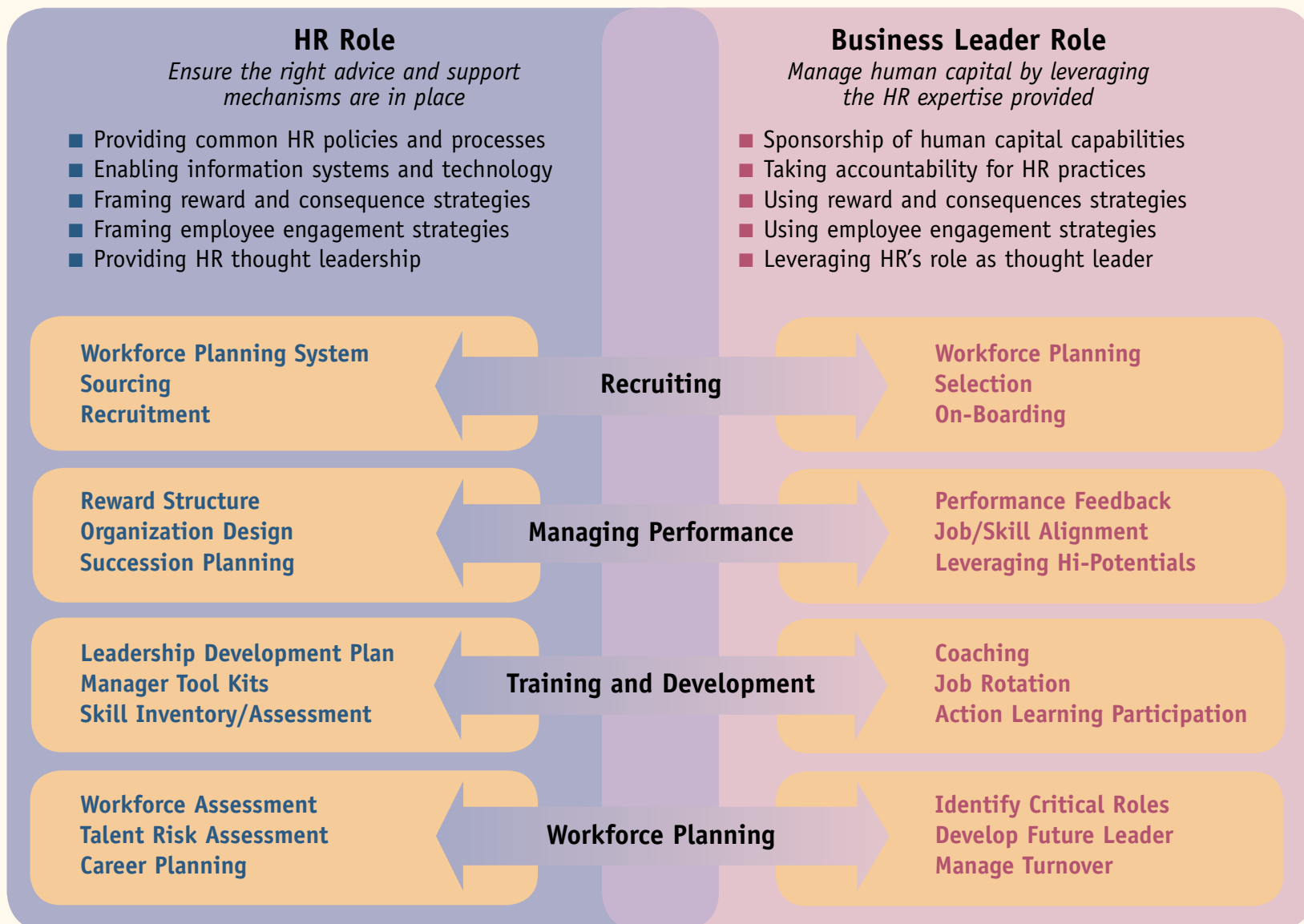
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Organization Capability Management Calendar			
	SET THE DIRECTION	MONITOR THE PLAN	MANAGE THE EFFECTIVENESS
Strategy	<ul style="list-style-type: none"> ■ Scan the environment ■ Set goals 	<ul style="list-style-type: none"> ■ Monthly: Progress toward objectives ■ Quarterly: Progress toward goals 	<ul style="list-style-type: none"> ■ Execute strategy ■ Adapt goals to changes in the environment
Finance	<ul style="list-style-type: none"> ■ Forecast ■ Generate investment options ■ Set budget ■ Set metrics 	<ul style="list-style-type: none"> ■ Monthly: Progress vs. metrics Actual vs. budget ■ Quarterly: Return on investments 	<ul style="list-style-type: none"> ■ Reallocate resources as indicated
Organization	<ul style="list-style-type: none"> ■ Assess organization requirements ■ Adjust processes to support strategy ■ Adjust structure to support strategy 	<ul style="list-style-type: none"> ■ Semi-annually: Assess impact of structure and processes on ability to achieve goals and metrics 	<ul style="list-style-type: none"> ■ Address emerging problems ■ Adapt processes, as indicated ■ Adjust structure, as necessary
Talent	<ul style="list-style-type: none"> ■ Define talent needs ■ Assess current talent for current goals ■ Assess current talent for future goals ■ Plan to fill gaps 	<ul style="list-style-type: none"> ■ Monthly: Assess short-term gaps ■ Quarterly: Analyze trends (e.g., performance, turn over) ■ Semi-annually: Review top talent 	<ul style="list-style-type: none"> ■ Ongoing performance management of direct reports ■ Ongoing monitoring of other key talent ■ Hire/move/develop talent to fill short-term gaps ■ Hire/move/develop talent to build future capability

Integrated Talent Management: How to Make Talent Management Stick

The main article focuses on incorporating the management of talent into the general management of the business.

A precursor to that is clarity about the roles of both HR and Business Leaders. Depending on the organization, this may involve changing the historic view of HR's responsibility. Here is one model that works.



Talent, the one distinct competitive advantage... continued from page 3

In our experience, organizations that have developed competency with Organization Capability Management tend to have the following attributes:

- An on-demand view of the talent mix that showcases a slate of top-tier internal candidates for openings and contains up-to-date knowledge of strong performers whose personal aspirations are aligned with the business's aspirations.
- Systems for evaluation that demand and facilitate meaningful conversations to identify "the truth of what is" both in terms of performance and of aspirations and possibilities.
- A continual reinforcement of organizational values and culture.
- Defined pools of high-potential talent that is always in lock-step with the management processes and maintains the flexibility to deal with a changing business environment.
- An emphasis on retention so that talent assets productively contribute to the business for as long as possible.

What The Clarion Group Believes About Talent

In conclusion, our work with clients has reinforced these beliefs:

We believe that organizations have unique talent needs that determine their success.

We believe that a sustainable competitive advantage can be achieved through the careful management of organizational talent, and the deployment of the organizational knowledge, skills, experiences, and capability residing in that talent.

We believe that talent management is as important as strategic, financial and organizational planning, and management. And that the integration and alignment of these four processes, into what we call Organization Capability Management, creates a synergy of exceptional performance and sustained growth.



The Clarion Group works co-creatively with leaders to help find integrated solutions to support organizational transformation and address complex challenges in the areas of Business Strategy, Structure, and Behavior.

If you would like to share this issue of The Clarion Call with your friends or colleagues, please direct them to www.theclariongroup.com/newsletter where you can view an html version or download a PDF.

You may contact us directly in our West Hartford office at 860.232.3667 or our Seattle office at 425.822.1222.



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