
*Talent Management for a
New Generation*

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Why should we care about managing talent?

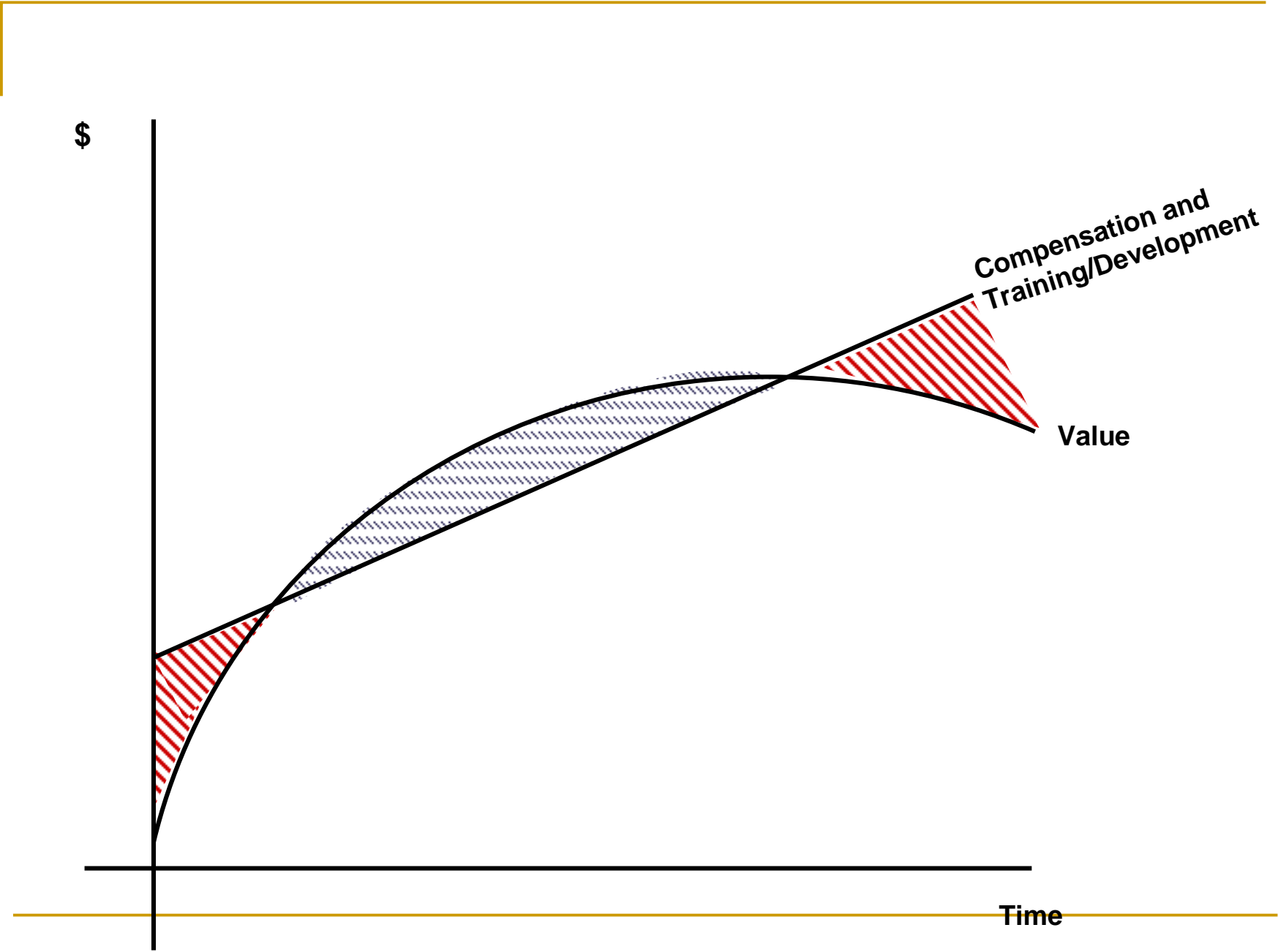
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- Labor is about 65% costs of typical business
 - Performance differences are huge
 - Employees and how they're managed is source of most competencies

Why should we “manage”
talent?

Why not just hire what we need when
we need it?

The Finances of Managing Talent and Internal Development

- In the traditional model, supply meant internal development
 - Up-front investment in candidates, recouped over time through improved performance
 - Can make money this way
 - Can also *lose* money if lose the investment
 - Outside hiring, pay as you go
 - Can't earn a return or be a source of advantage
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The rise of the great corporate career

Different practices made sense at different times

- Open markets in the early years
 - 1950s-'60s average Fortune 500 exec had been with their company 24 years
 - The typical career path...
 - 12-18mo training
 - 18-21 month job rotation
 - “Hi potential” program – accelerated promotions
 - 75% execs had > 5yrs on corporate staff
 - 40% execs began in marketing/sales
 - Detailed workforce and succession plans – 15 years out
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Which is the Kindergarten Report Card Which is the Performance Appraisal?

System A

Rank candidates on a scale of...Very Satisfactory – Satisfactory – Unsatisfactory

- Dependability
- Stability
- Imagination
- Originality
- Self-expression
- Health and Vitality
- Ability to plan and control
- Cooperation

System B

Rank candidates on a scale of...Satisfactory – Improving – Needs Improvement

- Can be depended upon
 - Contributes to the good work of others
 - Accepts and uses criticism
 - Thinks critically
 - Shows initiative
 - Plans work well
 - Physical resistance
 - Self-expression
 - Creative ability
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What Is Different Now?

The lifetime model breaking up

The notion of a secure, long-term career is harder to imagine.

President/CEO tenure was:

10 yrs in 1950s;

5 years in 1960s;

<3 yrs now

CEO turnover (and exec team) up 53% since '95

- Rising 2x as fast in UK and Europe as in US
- Firing for performance biggest cause, 2x as retirement
- 54% VP vacancies and above have an outside search

Restructuring is non-stop

- AMA survey – 49% have downsizings even during the “boom” years
 - *Fortune 500* now employ ½ as many as 20 years ago
 - 63 percent cutting in one division and expanding in another
 - Cuts happened faster in this downturn than any time before
 - Employee Tenure: Down with employer/ Up with occupation
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What happened to the ability to plan?

- In the management ranks - 2003 SHRM firm survey – 60% have *no* succession planning of any kind
 - *More than 70% had it in late 1970s*
 - In the workforce as a whole - 2004 IPMA-HR survey – 63% have *no* workforce planning of any kind
 - *Virtually every large company did it in 1950s*
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What changed
on the employee side?

*How did they respond to end of lifetime
employment?*

I would change jobs for...?

I would leave for...	25% of Workers		50% of Workers		75% of Workers	
	Units	Dollars	Units	Dollars	Units	Dollars
Stock Grant Face Value	50 shares	\$500	100 shares	\$1,000	1,000 shares	\$10,000
Vacation Days*	7 days	\$652	10 days	\$1,400	15 days	\$2,769
Bonus Opportunity	\$1,000	\$1,000	\$5,000	\$5,000	\$10k	\$10,000
Salary Increase*	10%	\$3,750	20%	\$7,500	35%	\$15,000
Potential Salary in Five Years	\$6,000	\$6,000	\$15k	\$15,000	\$35k	\$35,000
One-time Retirement Contribution	\$5,000	\$5,000	\$20K	\$20,000	\$50k	\$50,000

Does the Next Generation Really Have Different Attitudes Toward Employers?

What do they expect from jobs?

How should we manage them?

Characteristics in First Employers*

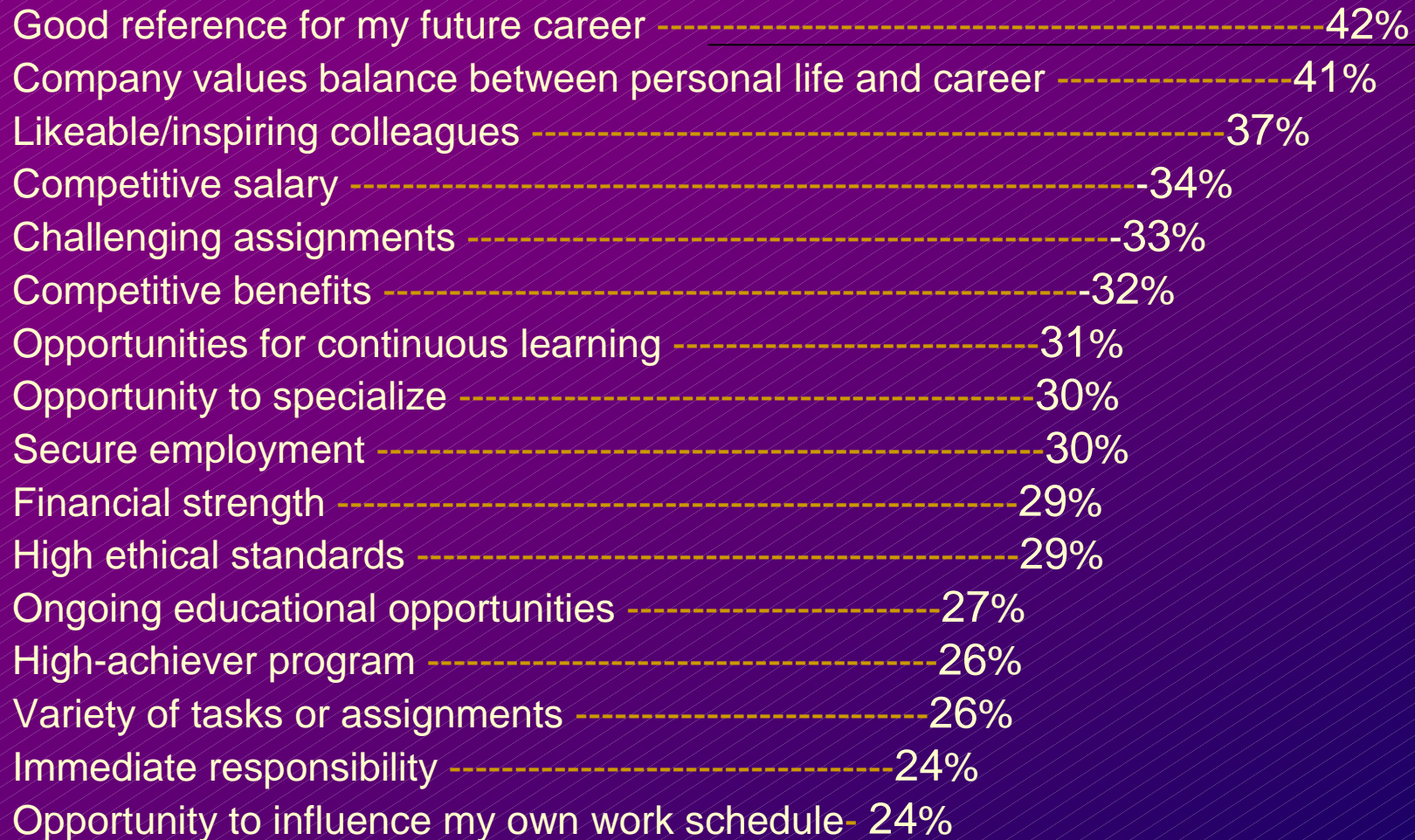
Please rate the importance of each of the following in choosing a first employer

- Challenging assignments
- Company values balance between personal life and career
- Competitive benefits
- Competitive salary
- Financial strength
- Good reference for my future career
- High-achiever program
- High ethical standards
- Immediate responsibility
- Likeable/inspiring colleagues
- Ongoing educational opportunities
- Opportunity to influence my own work schedule
- Opportunity to specialize
- Opportunities for continuous learning
- Secure employment
- Variety of tasks or assignments

* From Pricewaterhouse survey of 1500 MBA students from around the world

Characteristics in First Employers

Please rate the importance of each of the following in choosing a first employer



What do *our* students say?

“In your last job...”

- % who could identify the next promotion ____
 - % who thought they had good chance of getting that promotion ____
 - % who thought they could become a leader if stayed with their company ____
 - % of their execs who came from within ____
 - How long they would wait for opportunity ____
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IDEAL™ Employer Ranking - MBA Overall

Employer	Ranking 2007	Preferred by 2007	Ranking 2006	Employer	Ranking 2007	Preferred by 2007	Ranking 2006
Google	1	20.58%	2	Booz Allen Hamilton	16	6.28%	15
McKinsey & Company	2	16.31%	1	Procter & Gamble	17	6.19%	11
Goldman Sachs	3	13.95%	3	Deloitte	18	6.19%	17
Bain & Company	4	10.99%	4	Merrill Lynch	19	5.58%	20
The Boston Consulting Group	5	10.89%	5	Walt Disney	20	5.23%	14
Apple Computer	6	10.78%	7	JPMorgan Investment Bank	21	5.11%	21
Microsoft	7	7.82%	16	Yahoo!	22	4.80%	26
General Electric	8	7.71%	8	IBM	23	4.71%	23
Nike	9	7.21%	12	BMW	24	4.70%	19
Bank of America	10	6.91%	18	Coca-Cola	25	4.44%	27
Citigroup	11	6.82%	6	Amazon.com	26	4.24%	32
Morgan Stanley	12	6.75%	10	3M	27	4.13%	24
Johnson & Johnson	13	6.73%	9	Toyota	28	4.11%	31
Starbucks	14	6.66%	22	Target	29	3.99%	34
Lehman Brothers	15	6.49%	13	American Express	30	3.82%	33

- **Preferred industries:** Management consulting (22%), Financial services (22%) , Consumer goods (16%)
- **Attractive Characteristics:** Industry leadership (38%) , Attractive location(s) (26%), Innovation (25%)

IDEAL™ Employer Ranking – Undergraduate Overall

Employer	Ranking 2007	Preferred by 2007	Ranking 2006	Employer	Ranking 2007	Preferred by 2007	Ranking 2006
Google	1	13,37%	2	Sony	16	4,80%	10
Walt Disney	2	10,03%	1	Deloitte	17	4,75%	24
Apple Computer	3	8,47%	7	Johnson & Johnson	18	4,69%	8
U.S. Department of State	4	6,87%	3	Nike	19	4,61%	12
Peace Corps	5	6,87%	-	Lockheed Martin Corporation	20	4,50%	18
Central Intelligence Agency	6	6,72%	5	Procter & Gamble	21	4,45%	14
PricewaterhouseCoopers	7	6,44%	11	Pfizer	22	4,27%	15
Microsoft	8	6,31%	6	Merrill Lynch	23	4,20%	21
Federal Bureau of Investigation	9	6,27%	4	JPMorgan Investment Bank	24	4,15%	35
Teach for America	10	6,26%	-	General Electric	25	4,01%	25
Goldman Sachs	11	6,24%	23	Coca-Cola	26	3,91%	19
Ernst & Young	12	5,90%	16	KPMG	27	3,63%	37
BMW	13	5,36%	9	Morgan Stanley	28	3,60%	38
Mayo Clinic	14	5,04%	13	Bank of America	29	3,49%	29
Boeing	15	4,83%	17	IBM	30	3,37%	22

- **Preferred industries:** Government/public service (16%), Healthcare (16%), Education/teaching (14%)
- **Attractive Characteristics:** High ethical standards (36%), Financial strength (26%), Attractive location(s) (24%)

The New Challenge for Talent Management....

- Generating the supply of talent to match estimated demand
 - When demand is very hard to predict
 - When the supply of talent won't stay put
 - The “mismatch problem” that killed talent mgmt in the 1970s
 - The talent glut in the 1980s
 - ...absorbed by the 1990s expansion
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The Four Principles of Managing Talent

- 1. Avoid Mismatch Costs – Balance “*Make and Buy*”
 - 2. Reduce Risk with Shorter Forecasts and Portfolios
 - 3. Design Development to Ensure Payback
 - 4. Balance Employee Interests in Career Moves
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#1 – “Make *and* Buy”

Avoiding Mismatch Costs

- From forecasts to simulations
 - Consider the uncertainty and “mismatch costs”
 - Are “Deep benches” inventory?
 - Overshooting is often more expensive –
 - Use outside hiring to fill in gaps
 - Only hiring from outside also a mistake
 - No unique skills, no unique culture
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How to Think About The “Make or Buy” Decision:

- How accurate is your forecast of demand?
 - If not, do more buying
 - Do you have the “scale” to develop?
 - If not, do more buying
 - Is there a job ladder to pull talent through?
 - If not long, do more buying
 - How long will the “talent” be needed?
 - If not long, do more buying
 - Do you want to change culture/direction?
 - If yes, do more buying
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#2 – Managing Uncertainty and the Costs of Being Wrong

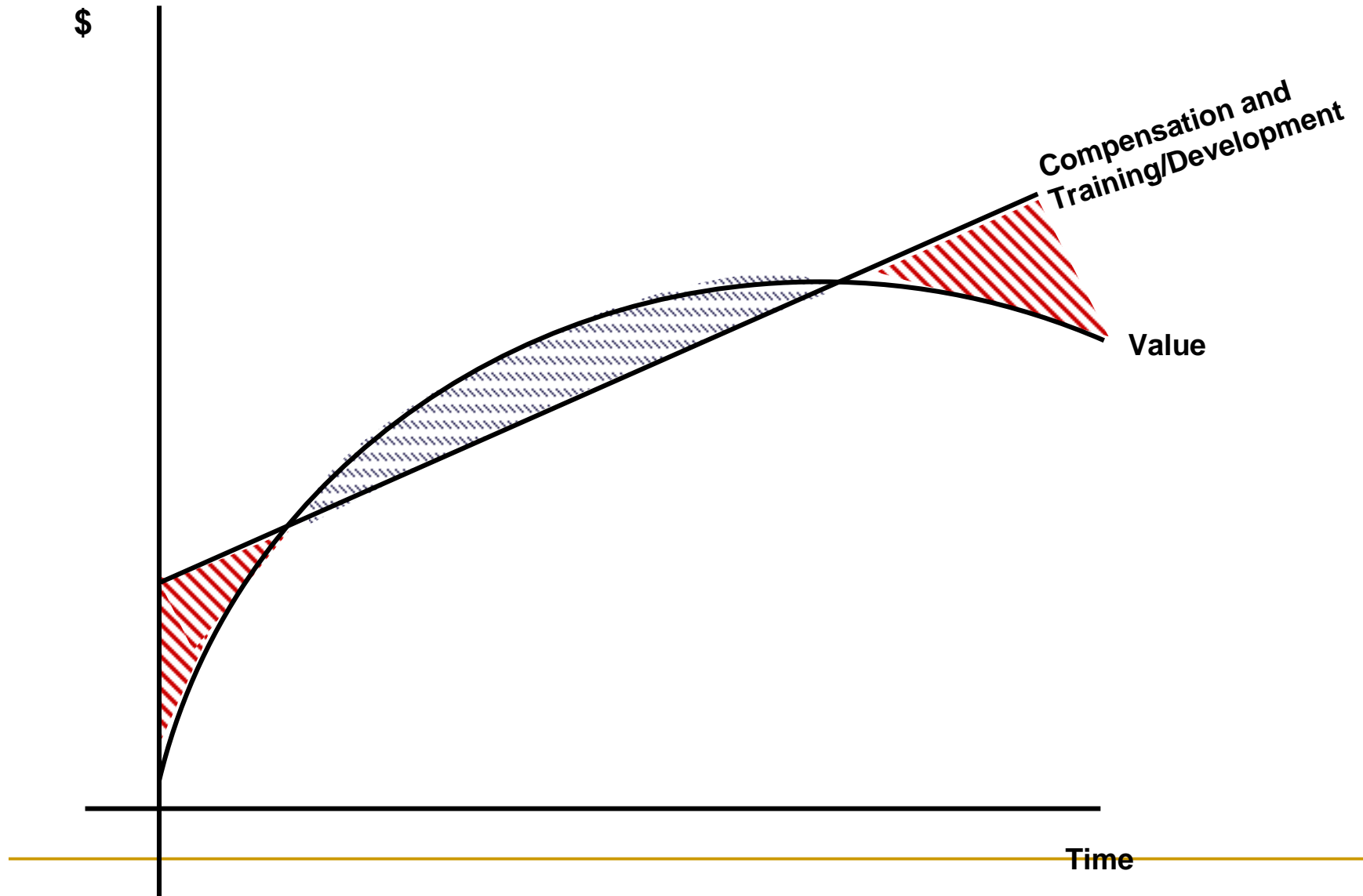
- Poor quality of long-term forecasts is issue so....
 - The logic of portfolios for managing uncertainty
 - Centralize all development programs –
 - Balance out mismatches
 - “Talent pools” – match basic development to basic demand
 - Just-in-time development to fit
 - Improve responsiveness –
 - Hire more frequently
 - Delay specific development
 - E.g., no “5 yr manufacturing program”
 - Instead, “3 yr general mgmt development” & “2 yr special manufacturing program”
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Succession Planning....

What's the problem we're trying to solve?

- Succession planning based on “replacement planning” in military – who will grab flag?
 - *Is this crucial? If so, why do we tolerate so many outside searches?*
 - Succession plans map specific individuals to specific jobs years in advance
 - Matches are poor because demand & supply hard to predict
 - Leads to expectations that can't be met
 - Such specific plans aren't necessary or useful
 - Talent Reviews – assessing the talent we have and how to develop it – is crucial
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#3 – Recouping Investments in Talent



Developing Talent Internally – How to Make It Pay....

- Reducing upfront costs – finding cheaper delivery options
 - Improve employee retention
 - Sharing development costs with employees
 - Training wages, tuition assistance plans, promote then develop, etc.
 - Increase employee value through work-based training and experience
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The Real Key to Creating Value -

- Spot talent early and give opportunity before they could get it elsewhere
 - Performance v. potential in identifying candidates – what’s the signal?
 - Self-selection as an alternative approach
 - How to spot talent and give opportunity?
 - Can try to assess/predict who will succeed?
 - Give it a try–P&G motto “Fail quickly and cheaply”
 - GE model: Keep small P&L for screening
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What was your best
developmental experience?

The skill of managing talent means...

- Matching development needs to available opportunities
 - The technology behind better matches
 - Doesn't require changing jobs
 - Projects, tasks, coaching
 - Being opportunistic, negotiating for opportunity
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#4 – Balancing Employee Interests

How much control should employees have over development?

- The “Chess Master” model
 - Downside: Best candidates can go elsewhere
 - Internal mobility programs - 96% large companies have them
 - *Only ½ require current manager’s approval*
 - McKinsey vs. Microsoft models
 - How much direction and advice to give?
 - Raise expectations vs. losing control
 - Fidelity approach
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The Long-Run Trend

- Challenge of uncertainty unlikely to go away
 - Old “planning model” requires certainty
 - Pressure for cost control in talent mgmt likely to grow
 - “Skill shortage” driven by reliance on outside hiring
 - We need a different approach
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