

TALENT PORTFOLIO MANAGEMENT

By Paul Aldrich

A report entitled 'A talent shortage for European Banks' (Putzer et al, 2008) concluded that a shortage of strong internal candidates for critical positions will force European banks to overhaul their talent management efforts in order to stay competitive and ensure strong growth. Thirteen banks were represented in their study and they found a common theme, 'That the CEOs and top executives of banks must personally endorse and live talent management, so that an understanding of its importance percolates throughout the organisation.' (Putzer et al, 2008). They are encouraged to do this by having more rigorous talent management processes and by using objective indicators to measure effectiveness.

This is not an issue peculiar to the banking sector in Europe but an important theme for all industry sectors in Asia-Pacific and the conclusion and advice is consistent with recent research findings that note the importance of CEO and senior business line managers driving their organisation's philosophy towards management of firm human resources, and which emphasises the importance of data to measure success (Aldrich, 2009).

TALENT PORTFOLIO SEGMENTATION

A recently completed piece of doctoral research (Aldrich, 2009) predicts the widespread development of additional functional roles within the human resource functions of institutions in the capital markets and investment banking sector and also other industry sectors, for instance, the increase of people-related risk specialists and an increase in human resource professionals that are employed to produce business-impact related metrics that allow for a more granular analysis of the human resource environment. To engage both senior business line managers and senior human resource professionals in this discussion, the management of human resources has been conceptualised as a form of portfolio management (Aldrich, 2007).

A number of studies support the approach of conceiving the talent pool of organisations as an investment portfolio. For instance, Wright et al (1994) define the human resources of organisations as a 'pool of human capital under the firm's control in a direct employment relationship' and Agrawal et al (2003) state that

'In most businesses, not all employees are created equal. A sub-set ... always plays a disproportionate role in creating value. Our experience suggests that workforces fall into six segments: top executives, knowledge workers, middle management, skilled workers, less-skilled workers and bureaucrats ... any of these can emerge as the most pivotal.'



Developing the theme of segmentation, Boudreau and Ramstad (2005) wrote that

'The human resource function should begin its transformation by applying tools of segmentation ... Just as marketing systematically segments customers to target investments strategically, human resources function needs to segment talent to deploy human capital strategically.'

Further to this, management consultants McKinsey (Guthridge et al, 2008) also state that talent management should not be limited to 'top talent' but instead should follow a more inclusive approach by thinking of employees as 'a collection of talent segments.'

Therefore, just as certain activity involves the management of asset portfolios, such as: foreign exchange; equity; loans; bonds; and, commodities, 'talent portfolio management' involves taking an investment-based, strategic approach to the management of human resources. For instance organisations in the capital markets and investment banking sector can segment their talent portfolio into different human asset groups, for example, front-office stars, their teams and those in key support roles. The ultimate goal is to ensure that the organisation can consistently deploy the right people, in the right place, at the right time, for the right cost and for them to be fully engaged.

TALENT PORTFOLIO MANAGEMENT

A Talent Portfolio Management approach, Table 5.2, requires the following:

TABLE 5.2 TALENT PORTFOLIO MANAGEMENT

MANAGEMENT POSITION	»	TALENT PORTFOLIO MANAGEMENT ROLE*
CEO	»	Chief Talent Officer/ Chief Investment Officer
Divisional business managers	»	Divisional portfolio managers
Heads of business units	»	Business portfolio managers
Human resource business partner	»	Portfolio analyst and advisor
Human resource specialist	»	Portfolio risk manager

* conceptual roles in the Talent Portfolio Management paradigm
Adapted from Aldrich (2007)

- a clear focus on talent as a strategic investment by the CEO as chief talent officer/chief investment officer who segments the talent portfolio and the most senior business line managers;
- business line managers who portfolio-manage segments of the talent portfolio;
- commercially aware, credible, business partners in the human resource function who analyse the talent portfolio from a financial perspective; and
- human resource specialists who provide risk management support.

The CEO could be described as the chief investment officer: senior line business managers as the portfolio managers of talent for each

segment of the talent pool; human resource business partners as portfolio analysts and advisors; and, other human resource specialists acting as portfolio risk managers.

CHANGING FUNCTIONAL ROLES AND COMPETENCIES IN HUMAN RESOURCE MANAGEMENT

A Talent Portfolio Management approach to managing human resources requires advanced skills, for example in organisational analysis and statistical modelling, which may not currently be part of the core competencies of professionals in the human resource function and therefore this approach, though straightforward to conceive, may require a radical change in thinking by business line managers and the human resource professionals that support them. The implications include:

- a strategic approach to management of the talent portfolio, led by the CEO. This involves an understanding of the fundamental links between leadership and management competency as it relates to the human resource environment; talent portfolio management; and, better firm performance;
- an integrated and strategic working relationship between the human resource function and business managers;
- stronger numerical, analytical and commercial skills in the human resource function;
- greater measurement around talent, building up to sophisticated human capital metrics; and
- the identification and active management of people related risk.

The above implies the creation of functional human resource roles that focus on human capital metrics, human resource portfolio modelling and people risk management.

MAKING TALENT A STRATEGIC PRIORITY

Talent must be a strategic priority in practice however continued progress is needed to address the findings of Guthridge et al (2008) that

'Companies like to promote the idea that employees are their biggest source of competitive advantage. Yet the astonishing reality is that most of them are as unprepared for the challenge of finding, motivating and retaining capable workers as they were a decade ago.'

Firms that take a disciplined approach to the management of their talent will achieve the ultimate goal of ensuring that in they can consistently deploy the right people, in the right place, at the right time, for the right cost and for them to be fully engaged. A Talent Portfolio Management approach gives organisations clear guidance that will enable them to implement talent management strategies that will have real business impact.

The world has focused its attention on Asia-Pacific, expecting this region to provide revenue growth and diversification but the supply of talent continues to lag demand. Talent Portfolio Management requires organisations to leave less to chance as it forces a systematic and ongoing dynamic review of the talent policies, practices and processes that support their management of talent. 📊