Talent Management: The Special Challenges of Small and Medium-Sized Enterprises

Key Points:
1. Talent management in SMEs is different than in larger firms. They face some constraints that are not an issue in larger firms such as lack of specialized expertise, but have powerful advantages such as dealing with talent on a one-on-one, case-by-case basis.
2. Different firms, as demonstrated by the case studies, have different paths to success in talent management.
3. Retaining and developing talent is a bigger challenge than attracting and selecting talent. While getting the right people matters, it’s what you do with them that really makes the difference.
4. The sense that “We are special” can be important in driving a talent mindset.
5. There is no reason why fairly small firms (e.g. 300 employees) cannot have sophisticated talent-management processes.

INTRODUCTION

This paper looks at talent management in small and medium-sized enterprises (SMEs). Since the widespread recognition of the importance of human capital (“talent”) in organizations, there has been an outpouring of articles and books on the topic. However, most literature is written for large firms. This is no small oversight, since according to the U.S. Small Business Administration, over half of the private workforce in the U.S. works for small companies. SMEs, which we define as firms from 100 to 3,000 people, face different challenges from very large firms, and that is what drives the need for this paper and the Human Capital Institute’s broader investigation into this topic.¹

WHAT IS TALENT MANAGEMENT?

The view of the Human Capital Institute is that talent management is best seen not as a set of topics, but as a perspective or a mindset. A talent-management perspective presumes talented individuals play a central role in the success of the firm. All corporate issues are seen from the perspective of “How will this affect our critical talent?” and “What role does talent play in this issue?”

¹ Please see: http://www.humancapitalinstitute.org/hci/tracks_smes.guid
Downsizing, from a financial perspective, is an exercise in cost cutting. From a talent-management perspective it is about losing human capital. Benefits, in traditional HR, are about “being good to our employees.” From a talent-management perspective, benefits are about attracting and retaining talent—or in the more modern lingo, “reinforcing our employment brand.” Furthermore, HR is also deeply involved in the complexities of administering benefits—an activity which would not be considered talent management.

Just as the financial perspective is pervasive in organizations, and the customer perspective should be (but often is not) pervasive, so too talent management is one of the hats all managers must wear, or to pick a better metaphor, a pair of glasses with which to see the world.

More prosaically, talent management is a set of tools and technologies that help organizations make good decisions about talent.

And here we get to a central truth that overshadows all the processes and practices of talent management. If the management team cares about talent then it will be second nature to do talent planning, think about sourcing, take care in recruiting, and work on developing talent. On the other hand, a management team that does not believe talent is literally a top priority (not just one of 20 or 30 important things), it will not devote appropriate attention to the execution of talent management processes—irrespective of how good they look on paper.

The research overwhelmingly supports the proposition that talent management should be on the forefront of a leader’s mind. In the best firms, top management devotes a large percentage of their time to talent-management issues, including communicating, one-on-one coaching, contributing to training programs, hiring key staff and thinking about how to deploy people to get both short-term results and give high-potentials the kind of experience they need to grow into leaders. This is absolutely a different mindset than the view that employees are only one of ten or twenty equally important things CEOs must devote their time to.

However, the direct actions of the top management team are not enough. A talent mindset must be driven through the organization. There are two most important ways to do so. One is to lead by example, which is necessary but not sufficient. The other is to hold managers accountable for good talent-management practices. Meeting budget is no longer good enough: managers must demonstrate they are bringing top talent into the organization, retaining that talent, and developing that talent.

WHAT IS DIFFERENT ABOUT SMEs?

SMEs face the same fundamental talent issues that large firms do. They need to attract, select, motivate, deploy, develop and retain talent. However, SMEs face some particular constraints; constraints that are more pronounced the smaller the firm. These constraints are:

> Lack of Specialized Expertise. Large firms will have experts in specialized areas of talent management. For example, they may have experts in assessment methodologies, diversity or instructional design. Smaller firms may know that sourcing is important, for example, but not have much specialized expertise in the subject.

> Fewer Economies of Scale. Large firms can afford to invest in researching what psychometric tests are best or which talent-management software is most reliable. Smaller firms often cannot afford to do the kind of in-depth assessment of talent management tools they would like. This matters because not all tools are appropriate and/or good for every company.

> Criticality of Each Hire. A firm with 1,000 call center reps will not be much affected by a very bad or very good hire. However, if you only have five reps then each individual is touching 20 per cent of your customer base.
> Criticality of Turnover. The smaller the firm the more of a continuity problem it faces when there is turnover in key jobs. For example, the loss of one marketing person may mean losing the relationship with the ad agency, the history of what worked, and the location of the relevant files. Interestingly, the reverse problem can also occur. Ann Bartelstein, who spent many years in HR in SMEs, says lack of turnover can mean the firm is stuck with the wrong people.

All in all, SMEs have fewer resources to throw at talent management yet face greater risks than large firms. These are not crippling problems, but it does mean SMEs have to be particularly thoughtful about talent management.

SMES also have important advantages that can make them the envy of larger firms:

> Case-by-Case Insight. In an SME you are not dealing with categories like “high performers who have not been moved in three years.” You are dealing with Tina and Rahul and Anjali. SMEs know more about each individual and can respond to their development and retention needs on a case-by-case basis.

> Few Layers. In an SME there are only two or three management layers. Driving a talent mindset through the firm is much easier than in organizations where the top team only has direct contact with a small percentage of employees.

> Sense of Belonging. It is easier for talented people to develop a deep sense of belonging in small organizations where the contribution of each person is very visible.

Our first case study, S.A. Armstrong, shows one approach to achieving excellence in talent management in an SME.

CASE 1: S.A. ARMSTRONG AND THE CULTURE SOLUTION

S.A. Armstrong manufactures pumps. With just 600 employees, they compete in a global market against much bigger firms. Some CEOs might look for success in manufacturing excellence or in strong engineering. However, for Charles Armstrong, CEO and grandson of the firm’s founder, the root cause of success is culture.

With something like culture, which evolves over time, it is hard to pick a starting point, but in the case of S.A. Armstrong they went through a rigorous process of defining the values of the firm about ten years ago. They did this not by going on an executive retreat, but by interviewing current and retired employees, some of whom had more than forty years’ experience with the company. They later did a survey asking customers what they thought S.A. Armstrong was all about. The resulting set of values did not reflect the hopeful aspirations of the CEO, but rather the beliefs of employees and customers as to what S.A. Armstrong was and could be.

The values they defined of service, community, and learning and innovation are summed up in the tag line “Experience building…” It’s a phrase that serves both as a marketing slogan and an HR mission. They do not stop with values, but go on to also define a company purpose: “To develop and facilitate new capabilities with our customers and ourselves.” The purpose looks both inward and outward, inspires commitment to the firm, and provides a guideline for all management decisions.

Finally, twice a year they have strategic retreats involving 10 per cent of the employees. In these strategic retreats the group decides how the values and purpose are brought to life through strategy. At the retreat they craft a number of 90-day strategy-making projects, which are then implemented by multi-functional teams.
REALITY CHECK

In this report we discuss what an SME should do about talent management, however it is never “the firm” reading a report, it is always one individual, and the question often becomes, “Given the general inability of this firm to make progress on talent initiatives, what can I do?”

There are things individual managers can do.

First, if your reality check shows the firm is a long way from best practice, you should adopt a long-range perspective. Any efforts an individual makes to improve the management practices may take many years to come to fruition. One of the central lessons of Jim Collin’s Good to Great research is that it takes a long time for companies to become great. It was constant, consistent effort that imperceptibly moved the companies Collin’s studied to extraordinary success. Your change effort has to work with that kind of time horizon or you will become disillusioned.

Secondly, the goal should be to develop a talent mindset in the firm—rather than just focusing on specific practices. The easiest way to get people with a talent mindset is to hire them. As an individual you can use what influence you have to encourage the selection of candidates who already believe talent matters. These people will be your natural allies and even a small number of committed people can bring about significant change.

It’s also important not to underestimate the power of ideas. If you believe in talent management it is because you have been exposed to the idea that talent matters. What worked for you can work for others. There are endless opportunities to transmit ideas, whether in conversation or in print. One HR manager at a large food company reported that she was surprised to hear good HR ideas from senior management. These were ideas she’d been proposing for three years, but which she felt had been falling on deaf ears. Apparently not, those ears may have been hard of hearing but they were not deaf.

What does all this have to do with talent management? S.A. Armstrong has placed a very heavy emphasis on value, purpose and employee involvement in strategy-making. This brings them:

> High engagement – employees are committed to the company.
> Clear direction – the values, purpose and involvement in strategy keep everyone aligned.
> Long retention – because employees are committed they stay a long time, reducing the energy the company has to spend recruiting talent and dealing with the problems of turnover.
> A talent mindset – the emphasis on building capability, learning and innovation naturally focuses management on developing talent.

This case shows how one company has managed to successfully harness their talent. There is not anything particularly special in their HR practices of compensation, recruitment, training or succession planning. However, by getting a high degree of employee commitment and alignment, many good things follow. S.A. Armstrong has been recognized as one of the best-managed firms in Canada.
A TALENT-MANAGEMENT MODEL

The Human Capital Institute has developed a model that gives a broad overview of talent management processes (see below). The S.A. Armstrong case shows an intense focus on the top-box “Driving Elements.” As we work through this paper, we’ll discuss a variety of ideas and cases related to the other elements of talent management.

THE FIRST STEP IN TALENT MANAGEMENT: STRATEGIZE

For many SMEs the first step in talent management is filling a vacancy with a capable employee. However, Steve LaMotta, SHPR VP business development & change management at HRsmart, says the real first step must be to think strategically about talent. S.A. Armstrong addresses this in a broad way by spending a lot of time on values and purpose and how they relate to on-going activities. Even in the absence of a well-articulated company purpose, LaMotta says taking a strategic view merely requires asking questions like:

> “If we were starting all over again, what kind of people would we employ?”

> “What kind of capabilities are we going to need to execute our strategy?”

> “Are we deploying our people well and with purpose? What could we do and what would it take to make us a high-performing organization?”

> “Are we deploying the right people, for the right purpose, and for the right assignment to maximize our human capital in reaching our business objectives?”

There is no magic in these questions, but they move the thinking away from simply trying to fill a position with the same kind of body that filled it last time. Thinking strategically is what brings the big wins. For example, LaMotta was once struggling with a host of unfilled vacancies in IT. The managers were desperate just to acquire some bodies, but LaMotta recognized that doing more of the same was not going to bring a big win. Instead, he got managers talking about what was getting in the way of the process, what kind of people they really wanted, and what sort of effort they were willing to invest. The answer, in this case, was to have “hiring nights” once a week where all managers involved in hiring would stay late to see candidates and decisions could be made on the spot. Within three months the hiring backlog was eliminated. The lesson here is not the tactic of “hiring nights” but the importance of involving your internal clients in thinking strategically to get the big win.
There is one real barrier to thinking strategically—no one has time. A leader keen on grounding her talent-management process in strategic thinking needs to find ways to get managers to commit time to this. The first step is to build a relationship with people so you are in a position to request some of their time. Then it’s a matter of getting away from the distractions of the office for two or three hours so you can have these kinds of conversations. The importance of thinking strategically about talent before taking action is a theme echoed by many experts and the message LaMotta drives home while providing this service to his SME clients at HRsmart. “Many companies simply don’t know what they don’t know.” Of course, all this presumes HR is seen as a strategic partner, something that is common in large firms but not necessarily in SMEs.

THE NEXT STEPS: SOURCE, SELECT AND ONBOARD

In small firms filling a vacancy is seen as a single activity. However, as firms become more sophisticated they think of it in terms of three steps.

1. **Sourcing:** How do we find our candidates? Do we use search firms? Which ones? Do we visit universities? Where and when? Do we advertise on job boards, in newspapers or on our corporate website?

2. **Selecting:** What selection methods do we use? How many people should interview the candidates? What criteria will we use to short-list candidates and select the best one?

3. **Onboarding:** What can we do in the first weeks or months to ensure the new hire quickly becomes productive and feels at home?

Howard Adamsky, the founder and president of HR Innovators, notes that even mid-sized firms need to have a top-notch expert in sourcing. The quality of the candidates, the cost of hire and the time to fill the position are all very much dependent on sourcing.

Sourcing is an art and requires up-to-date knowledge of where to find candidates who will fit the needs of a specific firm. At the risk of stating the obvious, the most important step in sourcing is simply to consider and tryout a number of different sources (see Appendix 1), tracking which ones work best in terms of quality of candidate, recruiting-efficiency ratio\(^2\) and actual/contracted time to start\(^3\).

Furthermore, do not overlook the value of employee referrals. Deploy Solutions, a talent-management software firm with a workforce just shy of 200 people, gets 70 per cent of its new hires from employee referrals. In Deploy’s experience, new hires who came in as referrals work harder, stay longer and are more committed than people sourced using other methods. Getting someone through a referral (and that means someone the person doing the referring has worked with or known for a long time) means getting a known quantity in a way other selection methods cannot match.

Unlike sourcing, there is reasonable consensus on what constitutes good practice in selection, although in truth selection is often done poorly. All the studies agree that unstructured interviewing is a very poor selection method. The method-of-choice is structured (also called “behavioral”) interviewing where specific questions are asked in order to elicit certain types of information. Most commonly, structured interviews ask about what a candidate actually did (“Tell me about a time when you had to lead a team.”) or what they would do (“What would you do if you had to fire a poorly performing employee.”)

---

2 This metric, promoted by Staffing.org, replaces “cost” and is the cost of hiring over the total base compensation.
3 This metric, also promoted by Staffing.org, replaces “time to fill” and is the “time to start” over the time HR promised it would take to get an employee.
employee?"). There are many good resources, such as Lou Adler’s *Hire with Your Head* (Wiley 2002) and courses offered by AIRS (www.airsdirectory.com).

There are several barriers SMEs face in following best-practice:

- Getting the hiring managers to invest time in carefully defining the competencies and other job requirements.
- Having the knowledge to find the best sources and the skill to conduct good interviews.
- Actually following the policies and procedures, such as reference checking, even when there is pressure to quickly fill the job.

A main part of any solution lies in revisiting the observation that for SMEs the criticality of hires is unusually high. The observation that this new programmer will be the only person ensuring that the LAN works, or this new tech service rep will be dealing with 15 per cent of the customer base, will provide perspective on the strategic impact of each hire. From this viewpoint it becomes evident that it is worthwhile to spend an hour or two really thinking about what kind of candidate is needed, what specifically they need to accomplish, and what will differentiate between the best and average candidates.

Secondly, if recruiting expertise does not exist in-house, it can be sought for peers in other organizations or consulting firms. There is a problem with consultants: not all of them are good. Again, the way to find out who is good is to ask your peers. We often feel that time spent out of the office, for example visiting a friend who runs HR at another firm, isn’t really work. It’s tough to overcome this notion, yet networking outside the firm may be the only way to overcome the lack of specialized talent-management knowledge an SME faces.

The last issue is one of discipline. Kim Shepard, president of Decision Toolbox, says that even when firms have good policies and procedures they often execute them poorly. Managers tend to see consultants as offering expertise or another pair of hands. However, there is a third thing they offer—discipline in execution. The question SMEs have to ask is not “Could we do this well in-house?” but “Do we do this well in-house?” If companies have a hard time following a disciplined hiring process then it is worthwhile using a consultant to ensure good execution.

The hiring process does not end when the new employee is signed on. Mike McInerney of Resonance Consulting argues we should see a new hire as a change event. What the firm does in the first weeks and months will determine whether the change event is successful. One firm that takes onboarding seriously is YSI Inc., the subject of our next case study. Following the YSI case, we look at Workbrain and how they source, select and develop their employees.

**Nutshell**

Remember that in an SME a single hire can have a strategic impact. Don’t make easy selections that do not meet the talent standards. Keep the talent bar high. Invest effort appropriately.

Spend time on thinking about what you need, not just filling the vacancy.

Take the time to get help from peers in other firms and from consultants.

**Case 2: YSI Inc., Onboarding**

YSI was founded just over 50 years ago in the basement of Antioch University. It has grown to a 350-employee global company. It specializes in sensor technology for environmental, life sciences and temperature applications. It is unusual in that it is an employee-owned firm, a fact that has contributed to a very strong culture and a high degree of employee commitment.
Instead of a VP HR, it has a VP of stewardship and human development. Part of the stewardship role is bringing in the right new employees and ensuring they comfortably mesh into the culture of YSI.

The onboarding program is called NEON (New Employee Ownership Network) and it begins with classroom presentations by various departments on the firm, its values and on what it means to be an employee-owned firm. The next step is to have the employee and his or her manager create a “performance development plan” which describes what his or her job is, what he or she needs to accomplish and how it fits with the business unit’s plan. The manager is held accountable for having the plan done within the first 30 days of an employee’s start date.

The new employees are then given a month or two to settle in before being given a complete tour of all the facilities—even departments they will not be working with. YSI has found the tours are more meaningful to employees after they have been around awhile.

Finally, at 90 days YSI uses a third-party to check in with new employees to be sure they understand their role and to uncover any adjustment problems.

What the YSI case shows is that a firm does not need to be large to have a sophisticated onboarding program. The payoff is new employees are quickly and thoroughly brought into the new culture. The reward for YSI is low turnover and high commitment.

CASE 3: WORKBRAIN, INTERVIEWS AND LATERAL MOVES

Workbrain is a software company. Their 350-plus employees produce high-end workforce-management solutions. They compete head-to-head with Kronos, a large and well-respected firm that has dominated the time-and-attendance industry for many years. Because Workbrain is selling high-end solutions, their customers are large, sophisticated firms. These clients simply assume they will receive excellent service and flawless execution. These expectations put great pressure on a young and growing firm. It’s not enough for Workbrain to have talented individuals; they need to have a tightly knit team that can pull together to quickly solve client problems.

Workbrain’s sourcing strategy relies heavily on employee referrals. One reason for this is that an employee is not going to recommend someone they don’t think will reflect well on them. However, another reason is cultural fit. As in S.A. Armstrong (and Deploy and SEI Investments, which appear in our next case studies), the sense that you are joining a very specific culture, not just taking a job, is very strong.

Applicants are run through a test of reasoning, verbal, writing and math skills—a test Workbrain developed themselves. This is followed by a rapid interview process where a candidate meets six to eight people for anywhere from 15 minutes to one hour. A good deal of emphasis is placed on character and fit—questions like “What do you love to do outside of work?”—rather than merely focusing on technical skills.

The interviewing process also helps with onboarding. Anyone who is hired has already met a good number of people at the firm and these people have made a commitment in selecting this individual to join the team.

Their selection methods follow good practice, but the real surprise is in the investment Workbrain is able to sustain in the selection process. Many SMEs have difficulty getting one manager’s time to do interviews, let alone six to eight. Furthermore, many SMEs like the idea of using some kind of written assessment test, but haven’t had time to see what tests are available. Somehow Workbrain found time to develop its own test.
What really drives the selection process at Workbrain is not their specific processes, but the underlying conviction that “We are special. We need special people.” The actual practices—and more importantly, the effective execution of those practices—follow from their conviction. This belief that talent matters also shows up in how people are managed after they join the firm.

One important element of their talent management is that Workbrain frequently moves people laterally between functions. EVP David Stein says, “Lateral movement is integral to our strategy of building a cross-skilled team; a team that can both set a leading vision and handle the complex workforce-management requirements of our large, sophisticated customers. People provide better solutions by leveraging the insight gained from multiple roles. As Workbrain grows, we continue to look for opportunities to leverage employee expertise across different business functions—it would not be unusual to move an employee through three quite different roles over a five-year period.”

Moving people laterally is not obvious. Why take a good sales rep and move him into communications? Why move a programmer who has mastered one product line and move her to an area she knows little about? These moves have a cost in the short run; however, they are an underpinning of a long-term talent management strategy.

Lateral moves accomplish many different talent-management objectives:

> They keep staff motivated and engaged in their work, which not only leads to better quality work, it also improves retention.
> They develop employees by presenting them with new challenges (stretch assignments), and not incidentally helps them discover their strengths and bring to light people with true leadership ability.
> They integrate the firm. People with friends in, and knowledge of, other functions are less afflicted by a silo mentality. Also, moving people around helps to build a common culture across the firm.

The barriers to good talent management that SMEs often face don’t seem to afflict Workbrain, the main reason being that the importance of talent is so clear to the management team that investing in finding and developing talent is second nature.

**KEEPING TALENT: ENGAGE, DEVELOP, LEAD AND DEPLOY**

It is human frailty to see “talent” as something that exists outside the firm and existing employees as merely good old Brad and Maria. Furthermore, the urgency of filling a vacancy helps focus management’s attention on the process of acquiring talent. There is little such urgency driving management to focus on the on-going work of engaging, developing and managing talent. A discussion about an employee’s development can always been postponed to tomorrow, or next week, or next quarter.
CASE 4: DEPLOY, KEEPING TALENT

Deploy Solutions feels that by following best practices, recruiting talent is relatively easy. Keeping talent is tougher and requires constant commitment to being a great place to work. Of course, what being a great place to work means varies from person to person so in its employee satisfaction survey Deploy asks its people “What do you stay here for?” and “What would you leave for?”

However, if there is one universal principle that Deploy follows it is transparency and communication. Deciding what and how to communicate to employees is a key topic of conversation at the weekly management meetings and can take up to two hours. This significant investment in communication helps build the bond between employees and the firm. Barrie Piazza, director of HR, also points out that in addition to the bond employees have to the firm they also have a bond to each other, something that is enhanced by the referral program and by team-building initiatives such as addressing hunger issues in their community.

However, as critical as new hires are, it is clear there is more leverage to be gained from getting the most out of existing employees. In fact, some people argue that it’s better to create an environment that gets the best out of average people, rather than betting on attracting and retaining extraordinary people. Certainly both S.A. Armstrong and Workbrain place a great deal of emphasis on getting the best out of people by ensuring alignment with corporate purpose and continually presenting them with new challenges.

GALLUP’S Q12*

1. Do you know what is expected of you at work?  
2. Do you have the materials and equipment you need to do your work right?  
3. At work, do you have the opportunity to do what you do best every day?  
4. In the last seven days, have you received recognition or praise for doing good work?  
5. Does your supervisor, or someone at work, seem to care about you as a person?  
6. Is there someone at work who encourages your development?  
7. At work, do your opinions seem to count?  
8. Does the mission/purpose of your company make you feel your job is important?  
9. Are your associates (fellow employees) committed to doing quality work?  
10. Do you have a best friend at work?  
11. In the last six months, has someone at work talked to you about your progress?  
12. In the last year, have you had opportunities at work to learn and grow?

*The Q12 items are protected by copyright of The Gallup Organization, 1992-1999. All rights reserved.
There have been several significant shifts in what is considered good practice in managing talent. The first of these is the shift from a focus on satisfaction to “engagement.” Employee satisfaction (or “attitude”) surveys have a long history. However, after getting the results from the surveys management always faced the question “So what?” If employees were unhappy with pay or the cafeteria or communication did it really matter? There has been a significant swing to survey instruments that measure attitudes that are proven to lead to higher performance. Gallup has led the way in researching and marketing this idea with its set of 12 engagement questions (their “Q12”) which are described in their best selling book First, Break all the Rules (see box).

So, rather than simply collecting a lot of attitude data, leading firms now focus on collecting data that will really tell them something about performance. Improving engagement scores will lead to measurable improvements in key performance indicators such as defects, sales, turnover, and profits.

A second change has been the growing dissatisfaction with classroom training as the main tool in development. For leadership development, stretch assignments are the single best tool, something Workbrain creates through their lateral rotation and S.A. Armstrong creates through employee involvement in “strategy-making” projects. Bigger firms use e-learning, action learning (projects designed both to achieve something and teach something at the same time) and invest a lot to be sure the classroom training they do is very well-designed. SMEs do not have the resources to develop the range and quality of training programs large firms can. This means that on-the-job development is even more important for SMEs than it is for large firms.

Finally, there has been a shift from focusing on weaknesses (fixing poor performers or getting good performers to concentrate on areas where a competency is weak) to leveraging strengths. Jim Larson, executive vice president, global human resources for InterContinental Hotels Group says, “A lot of recent research has led me, as a practitioner of this for almost 25 years, to completely change my thinking. Focusing on somebody’s difficulties or problems does nothing to improve their performance. Find out their strengths and put them in roles where they are going to be strong.” Again, Gallup deserves credit for championing this idea with their book Now, Discover Your Strengths.

<table>
<thead>
<tr>
<th>CHANGES IN WHAT IS CONSIDERED BEST PRACTICE IN MANAGING TALENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Measure employee engagement (which predicts performance), not employee satisfaction.</td>
</tr>
<tr>
<td>2. Develop through stretch assignments, de-emphasize classroom training.</td>
</tr>
<tr>
<td>3. Leverage strengths rather than fix weaknesses.</td>
</tr>
</tbody>
</table>

The main barriers SMEs face in following best practice are:

> Engaging, developing and managing talent is a day-to-day activity of all managers. It’s not something that HR, or even senior leaders, can do alone.
> It is natural to focus on problem employees, even though the real leverage comes from focusing on the high performers.

The later problem, focusing on weakness not strength, is easily addressed simply by making managers aware of the low return they get from trying to correct weaknesses compared to the return from leveraging strength.
The problem of getting managers to take day-to-day talent management seriously is a matter of three things:

1. **Leadership by example.** S.A. Armstrong in particular was clear that the leadership team had to lead by example. Their focus on values and purpose, and hence human capital, came from the top down.

2. **Educating managers.** Many managers in SMEs (less so in very large companies) have had no training on people management. The organization must be sure that managers are educated in the value of human capital and good management practice.

3. **Holding managers accountable.** Too often managers are not held accountable for bad talent management. The organization must decide what management values and practices it endorses and ensure managers are held accountable for living up to them.

Let’s look at one last case, one that sheds light on an aspect of talent management rarely addressed.

**CASE 5: SEI AND ARCHITECTURE**

SEI Investments is a provider of asset management and investment-technology solutions. They have over 1,800 employees who sit in a beautiful and unusual office space, which in itself presents a special insight into the nature of talent management for SMEs.

SEI’s offices are vast open-space structures without office walls or even partitions. Power and computer cables hang from the ceiling in bundles every few yards. Everything is on wheels enabling rapid re-configuration of the workforce. Unlike industrial era settings, the desks are not arranged in rows; everything is a little haphazard—yet, that’s the wrong word since teams organize their work areas precisely so they can be at their best. The desks and file cabinets are interspersed with couches and comfortable chairs for casual meetings and conversations.

The setting on farmland outside Philadelphia is idyllic and the buildings stuffed with interesting artwork. All this contributes to a remarkably intense feeling of energy. Job applicants walking into SEI are either dying to work there or else turning on their heels in search of someplace more traditional.

It’s fair to ask, “What does architecture have to do with talent management?” In the case of SEI, architecture does two things. Most importantly it enables employees to move around into different workgroups as they tackle different projects. Secondly, it is a vivid, visual expression of the culture.

Moving people on and off different teams (and moving them physically to do so) has a huge impact on knowledge sharing. It also helps create social bonds that reinforce a sense of belonging—something that cannot be taken for granted in a firm of SEI’s size. Moving people gives them challenge and variety—something deeply valued by the creative professionals SEI relies on.

The symbolic side of the architecture should not be underestimated either. The architecture says, “We’re special.” It’s something the people at SEI seem to believe. It’s also a feeling that appears in other firms discussed in this paper. And this feeling may be one of the hidden keys to creating a talent mindset.
SMES AND TALENT MANAGEMENT TECHNOLOGY

Underpinning many of the processes of talent management is software. In fact, one of the biggest changes in HR over the past decade has been the rise of technology. Almost all areas of HR can now be supported by software (see Appendix 2). However, there are significant challenges in taking advantage of technology:

> HR does not have expertise in managing technology
> HR does not have expertise in managing technology vendors
> Much of the technology is very expensive
> Much of the technology is new
> Many technology projects (not just HR technology projects) fail
> There is rapid change in the technology industry, including some companies and products disappearing leaving buyers with unsupported software
> Buying the right product is not enough; it needs to be implemented and maintained.

This adds up to one word: Risk!

Nevertheless, software can be very helpful, even for smaller firms. As firms grow beyond a hundred employees they will want to replace paper files and spreadsheets with an HRIS. Anyone sorting through hundreds of resumes will want a hiring-management system. And, even small firms will benefit from replacing paper-performance appraisals with on-line forms.

SMEs should do the following:

> Buy software only where it is clear how it will be used and what the benefits will be. The purpose should be improving administrative efficiency.
> Buy from well-established vendors.
> Network extensively with similar firms to find and assess vendors. Don’t rely on references provided by vendors.
> Partner with your IT and purchasing departments in selecting a vendor and negotiating a contract.

> Ideally find a software vendor that offers a full suite of seamlessly integrated talent management technology solutions (that can be phased in over time) added in conjunction with business growth that are all on the same operating platform. Avoiding the need to have multiple plugged-in software packages that can’t integrate well together or require more custom work to accomplish the same.

CONCLUSION

The talent-management challenges a company faces change over time (see Appendix 3). However, there are a few general principles that are important for all SMEs, principles that really stand at the heart of talent management.

1. Recognize the importance of mindset

The single most important thing in talent management is not technology or practices, but mindset. A firm where leaders take talent seriously will do better on all aspects of talent management than a firm where people are seen as a commodity. If the leadership has the right mindset, then the rest follows.
2. **Keep processes simple.**

The vast majority of solutions are quite simple. An exit interview may only take 15 minutes. A corporate talent review may only last a few hours. Conversations about developing and deploying talent may only take 10 minutes. Absenteeism tracking is already done by your time-and-attendance system so it is just a matter of looking at the results. Talent management can be successful with only a small additional investment of time.

3. **Have process owners and hold them accountable.**

Typically, processes like reference checking, development planning and annual talent reviews are neglected; not because of lack of time, but because no one is accountable for ensuring they occur. Normally the HR manager is the person who should be the process owner. It is also important that the HR manager’s boss hold them accountable for ensuring the processes are carried out.

4. **Hold managers responsible for talent management.**

HR may be accountable for processes but managers are responsible for the results. If turnover is high it is the manager’s problem, not “the organization’s problem” nor “HR’s problem.” The manager’s manager must hold them accountable for selecting, developing and retaining talent, not just for meeting budget targets.
### APPENDIX 1: SOURCING CANDIDATES

<table>
<thead>
<tr>
<th>SOURCE</th>
<th>ADVANTAGES</th>
<th>LIMITATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company Website</td>
<td>Exists for this purpose</td>
<td>Focuses just on active candidates</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Limits exposure</td>
</tr>
<tr>
<td>National Job Boards</td>
<td>Reaches a broad audience</td>
<td>Focuses just on active candidates</td>
</tr>
<tr>
<td></td>
<td>Increases visibility</td>
<td>Can be costly and may include many unqualified candidates</td>
</tr>
<tr>
<td>Niche Job Boards</td>
<td>Reaches a targeted audience</td>
<td>Focuses just on active candidates</td>
</tr>
<tr>
<td></td>
<td>Increases visibility</td>
<td>Less exposure than national job boards</td>
</tr>
<tr>
<td>Employee Referrals</td>
<td>Is highly effective and personal source</td>
<td>Can restrict candidate pool to reflect current workforce</td>
</tr>
<tr>
<td></td>
<td>Grows networks and involves employees in the process</td>
<td>Employees may or may not be incented to participate</td>
</tr>
<tr>
<td>Alumni Referrals</td>
<td>Involves alumni in the process</td>
<td>Can restrict candidate pool to reflect current workforce</td>
</tr>
<tr>
<td></td>
<td>Grows networks</td>
<td>Alumni may have different motivations</td>
</tr>
<tr>
<td>Recruiter Network</td>
<td>Uses recruiter’s personal network</td>
<td>May not be ideal candidates</td>
</tr>
<tr>
<td></td>
<td>Maximizes strong personal relationships</td>
<td>Can restrict the candidate pool</td>
</tr>
<tr>
<td>Finding Resumes on the Web</td>
<td>Opens up large new audiences</td>
<td>May take longer to contact and close passive candidates</td>
</tr>
<tr>
<td></td>
<td>Targets candidates based on relevant experience and skills</td>
<td>Can waste time if not proficient in Web searches</td>
</tr>
<tr>
<td>Finding People on the Web</td>
<td>Opens up new audiences in organizations, associations and colleges</td>
<td>May take longer to contact and close passive candidates</td>
</tr>
<tr>
<td></td>
<td>Targets candidates based on relevant experience and skills</td>
<td>Can waste time if not proficient in Web searches</td>
</tr>
<tr>
<td>Print Job Ads</td>
<td>Reaches a broad audience</td>
<td>Takes time and money</td>
</tr>
<tr>
<td></td>
<td>Increases visibility</td>
<td>Focuses on active candidates only</td>
</tr>
<tr>
<td>College Recruiting</td>
<td>Reaches a targeted audience</td>
<td>Focuses on inexperienced talent</td>
</tr>
<tr>
<td></td>
<td>Strengthens relationship with universities</td>
<td>Is a lengthy process</td>
</tr>
<tr>
<td>Contingency Recruiters</td>
<td>Opens up new networks of candidates</td>
<td>Is costly</td>
</tr>
<tr>
<td></td>
<td>Is a pay-for-performance system</td>
<td>May focus on the quick, not the right hire</td>
</tr>
<tr>
<td>Executive Search</td>
<td>Has advanced recruiting skills and a rich network of top talent</td>
<td>Is very costly and may misread company needs</td>
</tr>
</tbody>
</table>


Appendix 2: Technology Primer
## APPENDIX 2: TECHNOLOGY PRIMER

<table>
<thead>
<tr>
<th>TYPE OF SOFTWARE</th>
<th>PURPOSE</th>
<th>COMMENTARY</th>
</tr>
</thead>
<tbody>
<tr>
<td>ERP/HRIS</td>
<td>Central system for holding all HR data and processing transactions (e.g. promotions, new hires).</td>
<td>Most HRIS systems have modules to handle “point solutions” like hiring management. The quality of these modules varies.</td>
</tr>
<tr>
<td>Hiring Management/Applicant Tracking</td>
<td>Speed sorting through resumes. Automate the administration of the hiring process.</td>
<td>These are now a ‘must have’ for SMEs. Many have ‘hiring manager self-service’ where managers, not just HR, can use the system and take more responsibility for hiring.</td>
</tr>
<tr>
<td>Job Boards</td>
<td>Advertise jobs and search for candidates.</td>
<td>There are many different types of job boards and expertise in using them can have a big impact on effective sourcing.</td>
</tr>
<tr>
<td>Benefits Self-Service</td>
<td>On-line tools for employees to select their own benefits.</td>
<td>Now a standard tool for large firms.</td>
</tr>
<tr>
<td>Compensation Management</td>
<td>Compensation planning. Tools for managers to assign raises and bonuses. Automate administration of incentive payments.</td>
<td>Many of these systems are currently too expensive for SMEs but vendors are working on products aimed at the SME market.</td>
</tr>
<tr>
<td>Performance Management</td>
<td>On-line appraisal forms. Enterprise-wide goal setting and tracking.</td>
<td>Having appraisal forms on-line is a ‘no-brainer.’ Enterprise-wide goal setting and tracking only works in some cultures.</td>
</tr>
<tr>
<td>Learning Management Systems/Learning Content Management Systems</td>
<td>Assist administration and tracking of training programs. Deliver e-learning</td>
<td>Any company giving a lot of training programs may want a tool to help in tracking and administering training.</td>
</tr>
<tr>
<td>Skills/Competencies Databases</td>
<td>Track the skills and competencies of all employees.</td>
<td>This can be a pipedream, particularly for small firms. It is difficult to accurately catalogue, collect and maintain the data. Look for a hiring management system that allows configurable profiles for internal and external candidates. By linking completion and maintenance of skills profiles to career mobility, employees are more likely to maintain accurate profiles.</td>
</tr>
<tr>
<td>Other (e.g. Synchronous communication platforms, Collaboration tools)</td>
<td>There is software for almost every imaginable type of activity from onboarding to psychometric testing.</td>
<td>Software can be helpful but it will never fix poor processes. If the issue is handling administration (too much paper), software is a good idea.</td>
</tr>
</tbody>
</table>
### APPENDIX 3: TALENT MANAGEMENT AS A COMPANY GROWS

<table>
<thead>
<tr>
<th>MILESTONE</th>
<th>ROLE OF HR</th>
<th>TALENT MANAGEMENT STYLE</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;100 people</td>
<td>One personnel person handling administration, often someone promoted from the clerical ranks.</td>
<td>The style and skill of the CEO is of overwhelming importance. Talent management may be anywhere from superb to abysmal.</td>
</tr>
<tr>
<td>100-300</td>
<td>Professional HR generalist with one or two support staff.</td>
<td>Systems for compensation, performance appraisal, recruitment, onboarding, and training are set up. Data tracked in spreadsheets or a database or possibly entry level HRIS. Focus is on compliance and creating some methods for managing talent that are consistently followed throughout the firm. Possible to create a strong culture that values talent—a culture that will drive the future success of the firm.</td>
</tr>
<tr>
<td>300-1,000</td>
<td>Professional HR department with specialists in some areas such as compensation, training and recruitment. VP HR may play a strategic role.</td>
<td>Specialist expertise in many talent-management functions is now available in-house and where it is not available (for example in organizational development), consultants may be used. A full-fledged HRIS will be in place supported by modules or stand-alone products for recruitment, compensation and training. Focus is on using talent management to increase competitive advantage. Even at the bottom end of this range, companies can have sophisticated talent-management processes in place.</td>
</tr>
<tr>
<td>1,000-3,000</td>
<td>HR department grows beyond a handful of staff to perhaps 20-30 people. VP’s role is in managing the department and providing strategic direction. HR may now include business partner roles working in business units, centers of expertise and a call center.</td>
<td>The challenge of scale means that there is a heavier reliance on technology and formal processes to manage talent.</td>
</tr>
</tbody>
</table>
About our Sponsor:

Steve LaMotta, SPHR, CCFC
VP Business Development &
Change Management Services
HRsmart, Inc.
(214)432-3456 x123
(214)236-2131 (cell)
“Smart Solutions for Talent Management”
an IBM Business Partner & Linux Leader
www.HRsmart.com

HRsmart is a leading provider of world-class talent management solutions that help companies attract and retain top talent to remain competitive in today’s market. Our solutions apply state-of-the-art technology with proven human capital management practices to provide customers with solid performance at attractive prices.

The company was founded in 1994 by a highly experienced team with the vision of creating superior talent management solutions that are affordable, easy to use, quick to install and valuable throughout organizations.

Today, our award-winning solutions are used by over 1,000 users and leading customers including many Fortune 500 companies such as Hunt Petroleum, The Container Store, Sunoco, CompuCom, Valero Energy and Watco along with a host of recruiting firms and Commercial Public Career Boards.

HRsmart was selected by IBM as a strategic e-business on-demand partner. Using advanced IBM technology, HRsmart is a leading application provider to many vertical industries, including, but not limited to, healthcare, construction, retail, manufacturing, high-tech, telecommunications, banking and finance, education, entertainment, hospitality, and a host of others. Additionally, HRsmart has a value-added business process and change management consulting practice to assist clients in leveraging the use of their talent management technology with human capital best practices and analytics.

HRsmart is a privately held company with its U.S. headquarters in Richardson, Texas. The company has operations in Canada, Mexico, Argentina, Chile, and Brazil.

HRSMART BRAZIL, LTDA.

Building upon our success, HRsmart’s Brazilian subsidiary was started in 2001. The company is run by a local management team that is well experienced in both technology and the human resources markets.

The company has been growing steadily and consistently. We are proud to have some well-known Brazilian and global companies among our clients. A sample of our clients include: IBM, Becton Dickinson and Company, Deloitte Consulting, Passarelli Consultores, CIEE-RJ, Senso RH, MBA of Sao Paulo University, Capital Humano, Marcondelli & Rojas, Grupo Idea, and Canal RH.