



A Force to Reckon With

If you want to outflank competitors you need to win the talent war and know how to groom and mentor employees.

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If a company could measure the true return on its human capital the way it measures the value of investments in technology or supply chain management, that would be something. Think it can't be done? Think again. What's more, savvy companies are also beginning to recognize that those investments in human capital—and the impact they have on the bottom line—are good not only for employee morale but for customers and shareholders as well.

Smart managers have long understood that their most valuable assets are their people. As the evolution into a more information-centric economy has picked up speed, these so-called knowledge workers are becoming even more essential to a company's success. "Just think about manufacturing," says Jason Averbook, CEO of Knowledge Infusion, a San Ramon, Calif. consulting company specializing in human capital management. "Machines on an assembly line are looked at constantly to make sure they are working productively and

efficiently. How often are most people looked at? Once a year during a performance review?"

It's no surprise that attracting, grooming, and retaining their key workers can give companies a true competitive edge. "We now live in the age of talent," says Allan Schweyer, executive director of the Human Capital Institute (HCI), a Washington, D.C.-based think tank that focuses on the latest developments and practices in human capital and talent management. "Nearly 80% of the value of a company is driven by intangibles, the most important of which is the people who work there. The idea that a company only really competes on the value of its human capital is now beginning to hit CEOs right between the eyes."

A study released in January by Monster, the leading global online career and recruitment site, makes the point. Some 70% of human resource managers said they were concerned about their company's ability to keep workers. Roughly 40% of the HR managers surveyed said that turnover had increased over the past year, and more than half said that workforce retention would be a significant challenge over the next five years.

Meeting the challenge won't be easy. Between 1950 and 2000 the U.S. workforce added some 79 million workers, according to the Bureau of Labor Statistics. Between 2000 and 2050, that trend is expected to reverse itself, and the BLS is projecting that American companies will actually face a decrease in available workers. Part of that, says HCI's Schweyer, comes from the smaller generation of workers who are beginning to replace baby boomers.

Measuring ROI

The change goes beyond the numbers. "There's been a shift in the world of work from the loyal baby boomers who rarely jumped from company to company to the current generation who accepts that job security may not exist and, in fact, doesn't have a problem moving around every two or three years," says Jesse Harriott, vice president of research at Monster. Add into the mix the seismic changes caused by restructurings and M&A activities, and it's more critical than ever to understand how to measure and maximize employee talent. "That's a challenge that smart companies can use to their advantage," says Harriott.

Logic would suggest that the momentum for change should come from human resource departments. In this case, that logic is flawed, say the human capital experts. "Historically, HR has been viewed as a 'soft and squishy' function that focused solely on culture, morale, and making sure employees got paid on time," says Chirag Patel, vice chairman of People Business Network



Best of the

Best

With a big assist from PBN, Cingular is taking the guesswork out of key parts of its business.

When Cingular made its \$41 billion purchase of AT&T Wireless in early 2004, it faced a dilemma that many companies run into in the aftermath of a big deal: how to blend cultures and cut costs without destroying what made the deal attractive in the first place. "In a lot of acquisitions, the acquiring company will simply take its talented managers and drop them into the new organization, displacing the leadership in the acquired company," says Rick Bradley, executive vice president for human resources for Cingular. "We wanted to take a different approach."

In combining the two organizations, Bradley says, Cingular's goal was to identify "the best of the best" in people, functions, processes, and every other business asset. To help with the people identification process, Cingular turned to People Business Network (PBN), a Liberty Corner, N.J.-based software company that provides on-demand technology solutions for consistent decision-making around whom to retain, redeploy, and transition out of the business.

Early on it became clear to the two companies that AT&T had some strong sales organizations that were leading the industry. "AT&T became the benchmark for how we would design that part of the business going forward,"



PBN's Patel and his team are helping Cingular create a data-driven HR organization.

Bradley says. "Our CEO said he wanted the best of the best regardless of which company they came from."

PBN and Cingular then put the systems and processes in place needed to take the guesswork out of the people equation. "We didn't want the decisions to be arbitrary," says Bradley. Chirag Patel, PBN's vice chairman,

agreed. By capturing enterprise-wide decision and transition data on employees, he says, "Companies gain a unique opportunity to drive new insight and establish a direct link between human capital strategies and business and financial performance."

In Cingular's case, the PBN solution gathered a virtual basket-full of data points and combined them to create a criteria-based ranking for each person within the organization. "PBN has the robust, flexible tools that enabled the two of us to work together and get things done," says Bradley.

Within about four months the majority of the

serious about selecting the best."

Once the team was in place—a process that took about eight months, compared to the 18 months the company anticipated—Cingular began examining its organizational structure. Again, Bradley says, PBN had the tools needed to address the key issues. "As you try to drive synergies, you're always asking if you have the right layers in the organization," he says. "Are the levels between the CEO and the front-line people enough or too much? PBN was able to step in with yet another set of software tools to quantify that for us."

Other companies in other industries are also putting those skills to good use. As Patel sees it, the challenges created by an aging workforce, increased global competition, outsourcing, and M&A activity will demand that business leaders in all industries reconsider the role of HR and how it can deliver new value.

"Even the role of HR leader is being redefined," says Patel. "Companies are now searching for people who have experience running P&Ls and have come from the operational side of the business." By giving HR leaders new tools to capture decision and transition data through PBN's on-demand software applications, he says, companies will have a chance to capture millions of dollars and retain the best talent.

For more information, please visit www.peoplebusinessnetwork.com/fortune

(PBN), a software company based in Liberty Corner, N.J. that specializes in workforce analytics and technology solutions that help companies make more consistent decisions around their human capital.

As a result, companies have continued to outsource many of the HR functions. "Most HR departments operate as a support role rather than an enabling one when it comes to leveraging employee talent," says Knowledge Infusion's Averbook. "They really never stepped up to the plate." Indeed, he recalls that at a recent Conference Board meeting, a roomful of CEOs were asked what they thought the No. 1 issue of their HR manager was. "The speaker told these CEOs if the answer isn't talent management, outsource them," says Averbook.

Technology is certainly one of the tools needed to move HR from being a follower to a leader in the talent management arena. PBN has worked with many of the country's 500 largest companies, providing on-demand software solutions that help managers make decisions consistent with the overall business objectives of the company. "By tracking retention, redeployment, and separation decisions that a manager makes on an employee—and every transaction that occurs as a result of that decision—a company can, for the first time, optimize their workforce, their single largest expense and most valued asset, similar to the way they do their supply chain," says PBN's Patel. "HR for the first time can establish a real-time visibility into the true operational nature of their workforce and tie human capital investments to their talent, financial, compliance, and operational objectives."

But while technology is vital to the changes now underway in HR, the experts agree that it is by no means a panacea. Equally important is changing the processes that take place. "A performance review that shows a person is weak on time-management issues doesn't mean anything if the process isn't changed to



Resource Guide

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take action on that finding," says Averbook. "What should happen is that HR reaches out to that person with a list of courses or training available. The process has to change from being reactive to proactive."

Perking Up Staff

Part of being proactive is keeping employee training and recognition programs in place even when budgets are squeezed. Karen Renk, executive director of the Incentive Marketing Association in Naperville, Ill., says companies "need to create a culture of recognition through all economic cycles." While competitive pay and benefits are strong recruitment and retention tools, smart HR managers will augment these basics with appropriate incentives.

For instance, Renk recalls a coal mining company that rewards workers for improved safety records with items such as fishing rods and camping equipment. "The employees there are mostly men between the ages of 20 and 40, so these kinds of incentives make sense," says Renk. "For another kind of company the incentives might be certificates for travel, cooking lessons, or high-tech electronic equipment." The point, Renk explains, is to understand what motivates a particular group of workers.

To be sure, no amount of incentives will make up for a company that only views employees as a cost center rather than its largest asset. "I truly think this is the last chance for HR departments to transform their roles within the organization," says Knowledge Infusion's Averbook. "If not, CEOs will continue to outsource to folks who will be able to show them the link between human capital and financial performance."

The transformation is not too different from where IT departments were in the 1970s, says HCI's Allan Schweyer. "We went from basically nothing to having chief information officers and chief technology officers at many companies," he says. Perhaps the best barometer of progress in this area may also be in the titles. Says Schweyer: "When we start to see more and more companies naming chief talent officers or chief learning officers, we'll know we're getting somewhere." —Susan Caminiti

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Online Diagnostic

How well developed are your talent management processes and practices, and how do you take them to the next level? What does the next level look like?

To help you find out or just confirm your thinking, Lore International Institute has created a quick online diagnostic around their Talent Management Maturity Model (TMMM). The TMMM is a simple, research-based framework for understanding, planning, and integrating talent management efforts. If you have five minutes, visit www.feedbacknet.com/TMMM.



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