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Drawing Talent Management Lessons from Supply Chain Practices

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What has the supply chain sector to do with talent management? It offers lessons for businesses to adopt practices that are in keeping with the times and apply them in talent management, according to Professor Peter Cappelli, who is George W. Taylor Professor of Management, and Director, Center for Human Resources at the Wharton School, University of Pennsylvania.

A guest speaker at a recent seminar organised by Singapore Management University's Office of Research and the Wharton-SMU Research Center, Cappelli warned of outmoded talent management practices and shared his insights on "Managing talents in the modern workforce".

He has written a book and contributed articles on the topic to the Harvard Business Review where he called for a fundamental new approach to talent management that takes into account the great uncertainty businesses face today.

"Every talent management process in use today was developed half a century ago," he said. It is now time for a new model to be developed, to better address the current environment, and the supply chain management sector is a field where lessons on talent management can be drawn from.

Moving with the times

"Unlike talent development, models of supply chain management have improved radically since the 1950s," he said. "When markets were predictable, companies used to build up stockpiles of components in manufacturing. But that is no longer the case. Since the eighties, companies have initiated just-in-time (JIT) manufacturing processes and other supply chain innovations that allow them to anticipate shifts in demand and adapt products ever more accurately and quickly."

Applying the same concept used in supply chain management, talent management is a matter of anticipating the need for human capital and setting out a plan to meet it. The considerations are to manage the uncertainty that complicates workforce planning, finding the right balance in internal development of talent and other tasks that lie within talent management. In short, talent management is defined by Cappelli as: "Can we get the right person at the right job at the right time." He asserts that talent management is not a human resource problem but is, fundamentally, a money issue. As such, it requires an understanding of the resulting costs as well as the benefits arising from talent management choices.

To put this point into context, he brought up an example of an employee during the course of a career. "At the beginning, the employee is still at the familiarisation phase and is not worth much. But, contributions do pick up quickly. What it means is that the company is investing in new employees, providing, among others, training programmes, on-the-job experiences and coaching by peers and supervisors. Thereafter, a career path is mapped to allow for job progression."

Traditional approach outmoded

Cappelli's research shows that such a traditional approach -- common in big corporations -- in developing talents, has been rendered ineffective by two developments. One is the end of "lifetime employment" practice with the onset of job mobility, where employers are prepared to pay to win over experienced employees who have gone through the mill at other companies.

The other development, he said, is that talent development planning over the longer term no longer makes sense. It is not practical for companies to oversee lifelong career prospects for talents when strategic planning is being done on much shorter time frame because of uncertainties.

Changes in macro economic conditions over the years have also weighed in on how companies do their planning. For example, in the 1970s, companies were enjoying good growth rates of some 5% per annum, and they were planning for and training people for the next decade. Then recession hits in the early 1980s, massive layoffs resulted – including human resource professionals themselves – and the very people involved in long-term staff planning for the companies. In other words, there is a mismatch between long term human resource planning and hard-nosed reality.

This is where tools from the supply chain management sector can be applied to talent management. Cappelli stressed that the goal is to get as close as possible in tracking actual demand for human capital. For example, how employees advance in their careers is remarkably similar to how products move through a supply chain. "We don't want shortfalls because we won't have the people to get the work done; we don't want surpluses because it represents costs -- that of the salary as well as the issue of talent retention, as we can't expect someone to be satisfied to be put on hold, pending the availability of a position," he said.

Four principles

According to Cappelli, there are four principles that talent managers can draw from supply chain managers. These four principles can be broadly divided into two types: supply – how to balance "make-versus-buy"; and demand – how to improve returns in development efforts.

Specifically, the first principle considers the balance between producing and buying talents to manage the risks. Bearing in mind that a talent pool is expensive to develop and the tendency of higher costs in over-provisioning, the approach should be to undershoot the estimates of what will be needed and plan to hire from outside for any shortfall. Some positions may be easier to fill from outside than others, so companies should weigh the balance about putting precious resources in development. Talent management is an investment, not an entitlement, Cappelli said.

The second principle, meanwhile, refers to adapting to the uncertainty in talent demand. As uncertainty in demand is a given, companies should find ways to adapt to it. One option is to stagger the recruitment of talents and another is to have centralised pooling of management recruits. For instance, long training programmes can also be split into modules by grouping management recruits into common sessions on general management. Subsequently, the cohort can be sent for other modules for specialised training in the respective functions, he said.

Over to the "supply side", the third principle involves improving the return on investment in developing talent. "Talent development need not be borne by the company alone and one approach is to get employees to share in the costs," said Cappelli. "People can share the costs by taking on learning projects voluntarily in addition to their normal work. Maintaining ties with former employees is another way to keep them in the loop for a possible return to the company later in their career."

Last but not least, the fourth principle dictates that companies should balance employer-employee interests in order to preserve their investments in talent development. The old practice was for career decisions to be made by managers, leaving the people under their charge with little or no say. That might be a common way of doing things in an environment where people tend to stay put with the same company for years. But now, job mobility is here to stay. Employees, especially talented ones, are in demand. Thus, employers have to move away from the chess-master model where career moves are decided by the company, said Cappelli.

To improve retention, some companies announce openings at internal job boards. Employees are at liberty to apply for positions that are of interest to them. Such arrangements effectively hand over to employees the control over their own career development.

Some other fundamental shifts have also occurred in how career paths are panning out over the last few decades. Talented individuals in large organisations used to enjoy different postings across different job functions within the company. However, in today's market, armed with their core expertise, they stick to similar job functions but offer their services at different companies.

Just as manufacturers need to stay flexible and watch over inventories like a hawk, companies that want to stay and grow in this current environment should approach their human resource policies in a similar fashion.

'We cannot go back to the old ways of talent management. We should allow self-selection as an alternative approach. The other maxim to note is to spot talent early and provide opportunities to develop employees with good potential. It exemplifies the adage that if one has to fail, it is better to fail quickly and cheaply," said Cappelli.

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