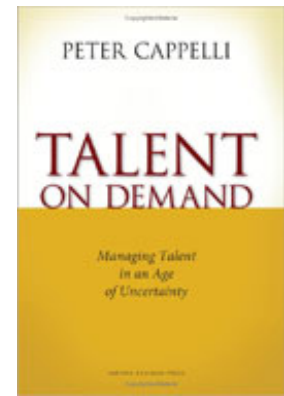




## The Talent Hunt: Getting the People You Need, When You Need Them

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Ask any CEO or senior level executive what his or her biggest challenge is, and the answer is almost always finding and keeping good people. Yet most executives fail to manage their company's needs in a way that recognizes the unpredictability of the global marketplace. In a book titled, *Talent on Demand: Managing Talent in an Age of Uncertainty*, [Peter Cappelli](#), director of Wharton's [Center for Human Resources](#), proposes a new approach to this issue based on applying the principles of supply chain management to people. He and Joyce Bradley -- senior vice president and general manager, Delaware Valley region, of Lee Hecht Harrison, a global human capital consulting firm headquartered in Woodcliff Lake, N.J. -- spoke with Knowledge@Wharton about talent management, including the challenges of managing employees in a recessionary economy. An edited transcript of the interview follows.



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**Knowledge@Wharton: Peter, could you define talent management and summarize how it relates to supply chain management?**

**Cappelli: Talent management is a simple issue. We're trying to anticipate what the needs and the demand will be for people, for human capital, into the future, and then set up some sort of plan for meeting it. It is pretty simple. It's the same problem that you see in lots of different parts of business: What do we think we are going to need? How are we going to go about meeting that?**

**The complication is that in the old days, this was really seen as an engineering problem. Things were thought to be quite predictable. If you went back to the days of regulation, for example, where companies were pretty sure they knew what they were going to be making 10 years out or so, they could just work backwards and say this is our product demand 10 years out and these are the products we're going to be making. These are the skills we're going to need in order to produce those products. Let's just work backwards.**

**The other assumption was that all your talent was internal. You would hire people right out of college or right out of school, you would put them in apprentice programs or development programs and then you would work them through those processes to develop the skills that you had. So, we had these big bureaucratic systems that were based on the assumption of certainty, that you knew what you were going to need and you could just work backwards and build to that.**

**The problem now is all that assumption of certainty is gone. Product markets change so quickly, people hop from company to company, you can't be sure what the demands are going to be and you can't be sure what the supply is, at least your internal supply. So, we have to think about this issue differently. There are a series of techniques that come from fields like supply chain management that are designed, specifically, to deal with this uncertainty. That's what we're thinking about doing: how to manage the uncertainty of the process.**

**Knowledge@Wharton: Joyce, you're out there every day dealing with companies and employees. What do you hear about the problems they have with talent management?**

**Bradley: I think talent management is a good descriptor of how many companies are approaching their talent pools and their human resources today in this market. What we're seeing is that many companies are looking at it from a holistic perspective -- not only recognizing talent and selecting talent, but hiring talent, retaining those same people, developing those people, keeping them**

**engaged and, at the appropriate time, redeploying and transitioning.**

**It's more of a holistic approach. It ties into Peter's descriptor of what is happening in the marketplace. I think the whole area of leadership development has really intensified as a result of what's happening in demographics, mergers and acquisitions, and productivity demands.**

**Cappelli: One additional thought on that: The reason why this matters so much to companies is that when you make mistakes, it's really costly. You don't have enough people to get the work done or, we're seeing that more now, you have too many people and you are either losing them and losing the investments in them, or you have to lay them off, which is expensive and traumatic.**

**Knowledge@Wharton: When you think about supply chain management, you think about widgets, moving inventory in and moving it out. Is there a downside to thinking about people as widgets that may get canceled, may need to be pre-ordered, may be [tossed out] if they are overstocked? Is there some kind of dehumanizing involved in this approach?**

**Cappelli: Certainly could be and you know, there's a long history of dehumanizing employees in the workplace, but I think these are decisions that get made anyway; that is, companies have to think about how many people they are going to hire. They have to think about, 'Are we going to lay people off?' and 'How many are we are going to lay off?' They have to think about, 'Are we going to develop people?' and 'How many we are going to develop?'**

**At the moment, most companies, a survey result shows, are doing that by flipping coins. So they're making those decisions anyway and the problem is they are just not making them with any kind of logic behind them. The survey evidence shows, and maybe you have seen some of this too, that about two-thirds of companies do no planning for workforce issues at all. They are just making these decisions ad hoc without any thought behind them.**

**I'd like to think the way we're pursuing this is thoughtful versus not thoughtful, as opposed to widgets versus humans.**

**Bradley: I think the way you create your corporate culture as a leader is playing more and more into the retention of talent and the attraction of talent. People are going online and looking at mission statements and vision statements and trying to understand what kind of organization this is and what their values and ethics are and trying to determine whether that's a good fit for them. On the flip side, the companies are looking for people that will fit into their culture. So it's a really important issue.**

**Knowledge@Wharton: The U.S. economy lost 80,000 jobs in March, the highest loss in five years. What kinds of challenges does this pose for a company that knows it has to lay some people off but doesn't want to gut its workforce?**

**Cappelli: Joyce may say something in a minute about the layoff side per se, but I would say if you took a step back and thought, how were you thinking about these issues before the economy turned down? I think the worse way to do it is to simply assume you know what the demand will be. And that is not recognized if there is uncertainty.**

**The model that I am suggesting is one where we try to be adaptable and responsive to the inevitable changes in demand, rather than just assume that we are going to plunge away. A little bit of history here: What killed this old approach was the planning efforts that went on in the 1970s, when companies were expecting growth rates of about 5% a year and they just planned for that and the economy unexpectedly turned south. They had these long talent pipelines that were 10 years long to produce people internally. Then it turned out that they were producing a lot more talent than they needed. The 1980s came along and they ended up having to lay everybody off and they got rid of all the functions for managing this.**

**The [point] is ... to set up a system where you can be responsive to the changes that are happening and not just plunge blindly ahead with assumptions about growth that you pretty much know aren't going to be very accurate.**

**Bradley:** To piggyback on what Peter just mentioned, what we talk about a lot is agility and what we hear folks in leadership talking about in companies is the agility of leaders to flex and to bend, not only with the marketplace, but with employees. We're in a situation now where we have multi-generations in the same work force, multi-cultures. Leaders have to be able to address the needs of individuals, treat individuals as unique people in the workforce and flex to the demands of the marketplace and meet them at the same time. So, agility is really a key characteristic of leaders that we are seeing.

**Cappelli:** If you think about the kind of talent, the amount of talent, you're going to need in an organization, some of that you want to be developing internally. But the more you do that, develop internally, you're making a big investment and you're taking on a pretty big amount of risk. And the risk is if we don't need these people, you've blown the investment.

If you think you're going to need, let's say, 100 people and that's your best guess, but you're uncertain about it, you may not want to develop 100 internally. You might want to develop maybe 80 internally and then expect to hire on the outside if you fall short of that demand.

Then maybe you might want to say, we'll use some contingent work and some temporary help to close the gap as well, so that we are building some adaptability into the system and not trying to meet our entire estimated demand simply with internal development, which is a big risk, a big upfront investment and really expensive if you get it wrong.

**Knowledge@Wharton:** Peter, in your book, you point out that many of the talent management techniques that are "in vogue" now, like 360-degree feedback and job rotation and long range planning, were actually used in the 1950s and 1960s, but all those HR people are no longer here, so today's HR people think they're rediscovering or discovering something really new. What's new today? Are there any new techniques in talent management?

**Cappelli:** No. If you look at the kinds of things that are going on in employee development anyway, I haven't seen anything that's new. It's just action learning, executive coaching. All the things that are popular now were big in the 1950s. So I haven't seen anything new on the employee development side.

I'd say if you look at the things which are different, first of all, the place you look for this is not really in the U.S. anymore. I don't think we are the leaders on this. I think the reason is that other countries with bigger talent management challenges than we have are actually doing more creative things. I think in India, for example, companies are doing more creative things and they are thinking more systematically about it. Part of it is they aren't locked into the old paradigm.

There are some new things we see even in the U.S. on forecasting, and that is moving from away from attempts to forecast talent demand to simulate talent demand. That is, give us a series of assumptions or scenarios and we'll tell you what the likely talent implications are of that. So, we're getting a sense of the robustness of our estimates around uncertainty.

And we are seeing some things in terms of technology that allow companies to better keep track of the talent they have, keep records of who has what sorts of skills and find ways to match up people with projects. I'd say that's really the new stuff. It's not about talent development, where there doesn't seem to be much new. It's about moving people around, allocating the jobs and thinking about career paths. There are some new things there, a lot of it enabled by technology.

**Knowledge@Wharton:** Joyce, are you hearing anything or seeing anything from the companies and employees you deal with?

**Bradley:** I see that people as employees are in a situation where they need to take more charge of their own careers. The days are gone where you would be tapped on the shoulder and told: Here is your next career move, good luck, and you move up the ladder. First of all, the ladders are much flatter and there are more people competing for the top jobs.

**Employees in the workplace have to manage their careers by polishing their skills, keeping sharp, keeping their networks open, making sure their reputation is impeccable and keeping their performance at top levels. All these things play into keeping these people engaged, especially the top talent that you have, keeping them engaged and retained in the organization, because those people are the exact people recruiters are looking at and they have more opportunities outside of the organization.**

**Cappelli: Joyce, I think we're agreeing on too many things here. Maybe we ought to do this like a Sunday TV show, and just disagree for the sake of disagreeing.**

**Knowledge@Wharton: Well, we'll try that as we go along. Joyce, in an earlier conversation, you said that given the fact that there are so many acquisitions and global developments, etc., that employers are looking, not for loyalty, but for commitment from their employees. I think there is a subtle distinction there, but can you explain what you mean?**

**Bradley: Yes, exactly. In the past, in the 1970s and 1980s [and earlier], you heard the term "lifetime employment." People felt pretty secure that they could come into a job, work for 20 or 30 years and retire with a pension. And they were loyal to that organization for that reason.**

**With the shift in what's happening in the workplace and the mergers and acquisitions, companies have had to downsize and right size and separate people. People now are not expected to be loyal to that organization. In fact, people who are loyal very often are the ones whose skills get rusty. They don't keep up with the technology changes, the skills required and the demands of the new technology in the organization.**

**Cappelli: Joyce, when you say loyal, you mean that they are not actively managing their own career from their own interest, but they are sort of waiting for the employer to tell them what to do, that sort of thing?**

**Bradley: Yes, and just relying on the employer to take care of them -- more of a paternalistic culture and attitude and mindset. What we tell people in transition is companies are looking for commitment. They can't assure you that you will have a job for one year, or five years or 20 years, but while you're there, they expect you to be totally committed and perform at top levels. That's the distinction that I see happening between loyalty and commitment.**

**Cappelli: Just so I understand, too: When we are talking about commitment, we're talking about commitment to the work?**

**Bradley: To the work, right.**

**Cappelli: As opposed to loyalty to the company, just one little point of disagreement then, just to get the Sunday news show going. I see sometimes at the very top of organizations, executives still talking about loyalty, and I think the reason is they take it personally. They want people to almost feel that they are loyal to them, to the executive team, and it's a bit out of whack.**

**I think the farther down you go in the organization, the more people accept the idea that loyalty to the organization is dead and commitment to the project or the work is what's important. But up at the top of the organization, you still see people talking about loyalty and that is a little out of sorts.**

**Knowledge@Wharton: Sort of a little disconnect.**

**Cappelli: A little disconnect, yes.**

**Bradley: Yes, it is. I didn't mean that loyalty was dead totally. I mean people go into an organization and they give their all and they're expected to give their all, but they can't rely on the fact that they'll be there for any specific period of time.**

**Knowledge@Wharton: Peter, when you talk about this adherence to loyalty at the top of an organization, are you talking about mainly some of the big firms, like GE or Procter & Gamble, some of the big U.S. Fortune 500 companies, rather than the smaller startup or technology**

**companies?**

**Cappelli:** I think in some of the big companies, they are still having a very hard time letting go of this idea of loyalty to the corporation. They're still holding on to it. I would say the executives seem to feel this notion of personal loyalty to them and to their team and that sort of stuff more or less across the board.

I'm not sure it's any less in the smaller companies. Sometimes it might be even bigger in the smaller companies because they're less bureaucratic and there are more social ties to people and less just professional ties. So it's been a big transition in the country to move away from a notion where people felt loyal to the organization and expected the organization to take care of them. It's been playing out over the last 20 years, but it's been a tough transition on both sides -- for the individuals, who obviously suffered more, but even for people who are in the corporations and expecting it among the new employees.

I think, by the way, this is one of the big things that you hear when people are complaining about generational issues -- that the young folks are coming in without having any history of these long-term employment relationships, this idea of commitment. The folks who are in their 50s grew up with some of that and saw it break, but they haven't completely let go of it yet. I think that's the root of the divide.

**Bradley:** That's the challenge for managers and leaders today. Going back to the concept of agility, they have to adapt their management style to different kinds of mindsets and different people in the workplace.

**Knowledge@Wharton:** What companies do you think do talent management well, and which don't?

**Cappelli:** I would say there are companies that are sophisticated about it, and complex. With most of the old "academy companies" -- that phrase became popular maybe in the last 15 years or so -- the idea was that you would go there and learn and then move on to someplace else. The academy companies, General Electric, Procter and Gamble, companies like that, pretty much are doing what the old companies used to do a generation ago.

That is they hire people, they train them, they develop them, they expect them to stay a long time. Those companies are sophisticated. I'm not sure that what they're doing makes sense for them, given the way the economy has played out now. There are companies that are sophisticated in the sense that they are doing new things that seem more adapted to the contemporary environment.

If you looked at workforce planning, for example, Capital One and Dow Chemical are companies that have been very good at figuring out how to do simulations to estimate what real demand will be and what the likelihood of different scenarios will be and how they will play out. I'd say companies like Microsoft have been particularly good at trying to automate some of the issues of employee capabilities -- standardize it, let everybody know what individuals can do, and do a little short-term planning on that. The professional service firms have been best at this, frankly. The reason is talent is everything for them.

McKinsey is very good at developing, doing job assignments. EDS is a company that's been very good at being able to quantify what individuals can do and match them up with tasks. Companies like Deloitte have been very clever, I think, at helping employees manage their own careers and giving them sound and honest advice on these things, including career coaching, which is pretty independent and objective. They'll even tell people sometimes, "Time for you to leave the company."

The professional service firms are the new leaders in this area, in the U.S. anyway. Corporations are lagging. Other countries are more sophisticated about this than the U.S. because they've got a bigger problem.

**Knowledge@Wharton:** Is there an example of a company in India that you feel is doing this well?

**Cappelli:** The big companies are all doing interesting things. Wipro has been especially good at developing talent and so has Infosys. Infosys is particularly good at taking raw material and developing people; taking physicists and turning them into computer people. They're both pretty good at doing workforce planning, that is estimating what they need going forward and so on. I'd say the big Indian companies are able to have a blank slate. They didn't have a lot of legacy systems they had to deal with.

Because the demands are so big -- those companies are huge already; they're growing at 20% a year or so -- there's a big shortage of educated folks in the entry level pool there. They've got massive problems compared to the U.S. This is just a huge priority and they're willing to put time and resources into thinking differently about it.

**Bradley:** I think from my perspective, too, in terms of talent management, companies are really focused on several ways and several different approaches to developing talent and retaining talent. From something that Peter mentioned, executive coaching: We see executive coaching at all levels now, not just at the top. It used to be executive coaching. Now we're seeing coaching for the mid-level managers who are on the front line with employees and having to keep talent in their companies.

Even at the executive administrative assistant levels, we're seeing it. We're also seeing a lot of team coaching. The heart of the matter is, not to repeat myself, but companies need to not only capture people's minds but their hearts. They have to engage them; they have to keep them stimulated; they have to keep them challenged; they have to provide stretch assignments. On an individual basis, they're doing some individual coaching. They're doing some team coaching, from not only looking at a team as a set of individuals on a team, but as a system -- a team with a certain personality, mindset and culture, and trying to engage that team. That might be a virtual team; it might be a global team. So, we see talent being impacted at every level in the organization and leaders being called upon, even if you don't have the title. Leaders at all levels, [that's what] people are looking for.

**Cappelli:** Just a little historical reflection on this. This is, of course, the way all companies used to run a generation ago. It used to be that first line supervisors were assessed on how many of their subordinates got promoted and advanced. Part of their appraisal was to develop their folks. That all died.

I would say, maybe this rings for you too, about maybe five years ago, after the labor market began to tighten in the 1990s and companies got sick of just meeting their talent needs by outside hiring -- too expensive, not working very well, can't find the people -- they started to look internally. But, at least initially, it was only at the very top. Maybe they were thinking about the director level or above. They were managing careers a little bit there and developing talent.

But then they began to realize the problem is, "How do we get people into that top 10% group?" Now they're starting to think about going back down. In some ways, we're replaying the clock a little bit, although I'd say in terms of what companies are actually doing now, there isn't very much planning going on; it's just efforts to develop people. It's in contrast to the period just before where they did nothing: no succession plans, no career plans, no employee development, just outside hiring, bringing people in, let them flounder. If they didn't work out, fire them and bring in new folks.

**Knowledge@Wharton:** Let me ask one last question. Peter, if there's one takeaway you want people to get from your book, what would that be?

**Cappelli:** Buy it.

[Laughter]

**Cappelli:** I'd say the big takeaway is to think about the environment which you're in. In most companies, most organizations, the environment you're operating in is pretty uncertain. If you

**think about what you should be doing, you have to work backwards from the idea that we can't be completely sure what we're going to need going forward. As a result, we need to be a little more adaptable.**

**We need to manage the uncertainty rather than just let it wash over us. There are big problems when you're wrong in these things. I'd say the big takeaway is to recognize the uncertainty, see if you can get your hands around how uncertain you are about your plans and then see if you can do some things to manage that. I'd say we're someplace between the models, now, of hiring talent completely on the outside and trying to develop talent completely inside.**

**Either extreme is probably a mistake for most companies. Striking the balance between that is also one way to deal with the uncertainty. Figuring out how much outside hiring to do, which is flexible and just in time, but it's also expensive, and it doesn't fit your culture very well. Striking that balance is one way to manage the uncertainty.**

**Knowledge@Wharton: Great. Thank you both for joining us.**

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