BUILDING A SUCCESSFUL BUSINESS CASE FOR TALENT MANAGEMENT TECHNOLOGY

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Introduction

*"Human Resources today sits smack-dab in the middle of the most compelling and competitive battleground in business, where companies deploy and fight over that most valuable of resources – workforce talent," (*Harvard Business Review, August, 2008*).*

Yet, we struggle to justify a business case for a system that can enable us to know if that most valuable of resources is working on the right things that are critical to the business:

- Who is our top talent?
- Is our talent fully productive and focused on things that matter and drive the business?
- Are we at risk of losing top talent because their performance goes unrecognized and is not rewarded properly?
- Is our top talent aware of development and growth opportunities?

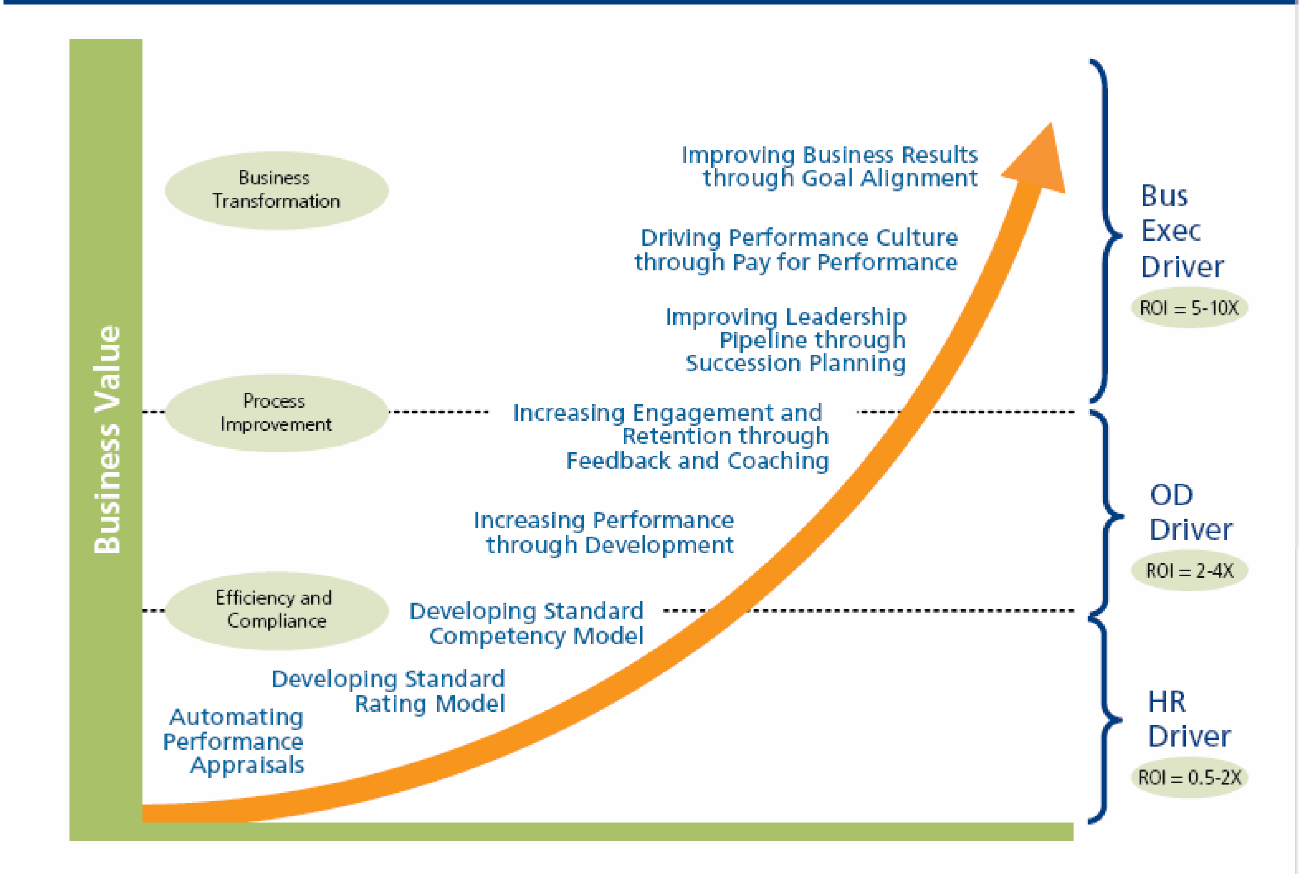
If we went to our business leader and proposed a change to our supply chain management system that could enable even a 10 percent productivity gain in getting that resource to market, it would be a hands-down quick decision. Similarly, a talent management system is your supply chain network for managing that most valuable of resources – your talent.

Where does our business objective reside?

The closer we can get our business case to the business drivers, instead of HR initiatives, the greater chance we have of producing a viable business case. In organizational cultures where HR is viewed as a cost center, it is even more critical to determine the business initiatives that would support such a system.

Josh Bersin, in his research report, *Making the Business Case for Performance Management Systems: A Handbook for HR Executives and Managers,* outlines the three levels of business benefits (see graph below). It is the top level, business transformation, where the business case is most compelling to leadership and the value proposition should be targeted.

Figure 4: Three Levels of Business Benefits for Performance Management Systems



Source: *Bersin & Associates, 2007.*

If we look at the HR and organizational development (OD) drivers as a foundation to employee and manager enablement, we can repackage these as value propositions for the business. If we drive to the "why" of the HR or OD driver, we have the business value proposition.

- Example: If we automate the performance process and standardize competency and rating models, then the manager and employee spend less time validating that they are measuring the same things as their peers and in the same way. That validation is automated. We then give time back to the manager and employee to focus on the execution of goals, coaching and career development.
- Example: If we know we have a critical position open in one market and are able to staff it internally because we are able to find someone in another organization with the right skills where this will be a development opportunity, we rapidly fill the position, avoid external recruiting costs, and avoid a high performer leaving the company for positions elsewhere.

Stating the business objectives in a value proposition at the organizational levels that are critical to enabling execution of the business strategy is key to our case.

Value Proposition for the Business		
Leadership	**If we** provide the business with the means to drill down into the execution of critical goals in the organization, know who the top performers	**then** we can ensure we have the right people in the right positions working on the right things to propel the business

	are in the company, identify growth and at risk roles within the organization;	forward.
Manager	**If we** enable the manager to have immediate visibility into the employee's execution against goals, feedback on the employee's performance, insight into the employee's career preferences, and a calibrated view of every employees' performance;	**then** the manager will be enabled with the time to ensure the execution of the goals to drive the business forward, provide focus on employee development and coaching to ensure a supply of future leaders.
Employee	**If we** provide the ability for the employee to know what goals they are responsible for, enable them to view their progress and related potential incentive compensation, and provide visibility and a voice to career progression;	**then** the employee will be engaged and know their role in driving the business, feel valued and recognized, and know they have a future with the company.
Human Resources	**If we** standardize and automate the processes for performance management, pay-for-performance, succession and career development;	**then** we will increase employee engagement, thereby reducing turnover and ensuring a stable workforce to enable company growth.

What is our current state?

Where is our organization today in regards to talent management processes and systems? How are we getting things done today from a process perspective? Do we have any part of talent management systems in place and running, or are we just getting started? How much is manual and how much is automated? Answers to these questions will help form our starting point. The approach we will take in building the business case will be relative to this starting point. This will also give us an idea of what will be required to achieve our goal. Spending time documenting our current state is key to validating what we probably already know about inefficiencies and gaps in our current processes. Once we have completed a current state analysis, we have the data we need to begin putting together functional requirements that will fill in the gaps. We will need to be prepared and willing to review and redesign processes that are not working to deliver the outcomes we require. Even processes that are working well may receive some adjustment to operate within the framework of a talent management (TM) system. New processes may also be instituted in areas where they may add value. Which of the following best describes our current state and what might we consider or expect to see as part of our current state analysis and possible solutions?

Current State	**Considerations**
No Process	Process redesign/New Processes/Additional staffing/TM Systems
Manual Paper Process: Goals, Performance Reviews, Succession	Assess current process hours involved in transactional items; manual data gathering and reporting. Assess storage costs for paper forms, imaging, electronic document storage (Excel, Word, e-mail). Assess time in legal compliance auditing. Process redesign/systems. Assess double-triple manual entry time and error costs for areas connected to talent process data such as compensation and recruiting.
Existing Process and Systems: Proprietary, home grown, outdated Systems/Databases	Assess support costs for proprietary systems hardware, include software upgrade costs. Assess training costs for ongoing technical and administrative support resources.

	Assess support costs for ongoing administrative support. Assess cost of recruiting key external talent. Assess/develop talent internally. Process redesign/systems.

What are our constraints?

What potential obstacles may we face to make the business case? What are potential show stoppers? Constraints may exist in many areas and in the most unlikely of places. It will be best to be aware of these early on in the process. Here are some examples:

Budgetary - Are we funded this year, next year? Has the funding been earmarked for our project if the business case is approved?

IT – Does IT truly understand what we need the system to do? Have we provided use cases to ensure understanding? Are there influences and technical requirements that will force us in certain directions such as hosted, e.g., Software-as-a-Service (SAS), solutions, or can we and do we want to support the application internally? A complete cost analysis is often required here to ensure we know the ongoing cost of the solution we choose. What are the requirements around our IT infrastructure and support staffing? Does IT have policies that will impact our decision? Do we have existing relationships with vendors that provide the type of solution we may be looking for? All of these questions are a great starting point on the technical side.

HR's resources – Will we be able to support the new solution with our existing staff or will we need more staffing? Should outsourcing support be considered? When talking to vendors, we need to ask about the resource commitment to operating their system for customers our size with similar needs. We need to be sure that the potential vendor understands the way our processes work and determines what level of process engineering may be involved in enabling their technology.

Culture – We need to ensure that the solution is workable from a process perspective in our current corporate culture. The end users of the product we select will have the ability to determine the success or failure of the project. Do not underestimate the change management needed to ensure a successful rollout. It is one thing to implement a system to collect performance data; it is another to create a culture where people are comfortable critically evaluating performance and are having open discussions around people's performance levels and developmental needs.

Requirements – As we complete the current state analysis and compile our wish list of functional capabilities based on requirements and gaps, it will be important to understand what is available in the market today. We must educate ourselves about the industry, who the competitors are, what they sell and how they differentiate themselves. More importantly, will their product deliver what we need and is the system configurable? We need to be prepared to compare the capabilities in systems we evaluate. We need to ensure that integration points where data must enter and exit the system are clearly defined in our requirements. Our specific requirements may eliminate vendor solutions from the start. Be sure we know what they offer before they are taken out of consideration. Don't be afraid to ask the vendors if their product roadmap includes requirements we need in the future or if they would consider adding functionality to their out-of-the-box product and the impact of upgrades. In the process of evaluating, we need to make sure we identify our requirements, weigh the importance of the requirements, and score how products meet those requirements.

How will you measure success?

What metrics can be used to determine whether our outcomes achieve the goal and provide empirical evidence that declares success? What are the benefits and rewards for solving these problems? Is it time efficiency- or monetary-based? Is there a pay-off? Achieving the business objectives we defined in the beginning of the process certainly is the goal. Any and all supporting data that can be provided to show the new benefits savings (money and time), increased efficiencies, increased employee retention, higher satisfaction, etc. will need to be used. This is only possible when we have already defined our current state and know what we are doing well, or not doing well. If we are diligent in our current state analysis, we will capture much of the data around how much time or money we are spending on the current process, and the current results. We will know how much time each manager or supervisor may spend working on any performance-related process such as reviews. We will know how much time HR spends managing and determining the status of performance processes. We will then be able to compare the future state under the new system. Implicit factors, while often difficult to measure, need to be considered. Among these are the cost of critical talent leaving at a critical time, the cost of not having enough of the right talent developed for business expansion and execution, costs of employees working on the wrong things and not having visibility into the right goals, adverse impacts with associated legal implications, cost of speed to cascade goals, cost/value of having goals and performance more frequently reviewed.

Making the business case for moving forward

Unless we are starting from the standpoint of a proprietary system, it is very difficult to begin with a solid return on investment (ROI) steeped in actual internally justified total cost of ownership savings. If our current state is paper-based, such as word processing and/or spreadsheets, we will not have hard system replacement-based explicit numbers with which to base a business case. In those situations, the tangible numbers will often be in the cost of data entry and the risk associated with litigation from adverse impact due to error, omission, and oversight that goes undetected even in organizations that have leaders with the best heart and intentions for their workforce.

Whether we have already selected a vendor or not, we should leverage that resource in helping make our business case. Many vendors have engaged independent research firms to look at the correlation between the use of their products and things such as business growth and turnover. Be careful, however, in offering up a pilot to prove these numbers as they are not often realized in the first year due to cultural and process shifts. Pilots are more supportive of the business case when looking for feedback and comparison of the before and after state in key pain areas uncovered in due diligence. Pilots can also be a hindrance for small- to medium-sized companies. Since most technology in this space is SaaS, there are usually still configuration charges associated with a pilot that may not make it cost-effective. If we are a small- to medium-sized company with a current method that is cumbersome and lacks visibility into key business insights of our employees, engaging the business in a vendor prototype session may be a better option. If we do this, then we should provide a survey with comparison questions to the process and method used currently to further justify our business case. Don’t underestimate the power of customer testimonials. Talent is inherently difficult to quantify and many transformational changes unfold over years, not months. For example, developing future leaders is something that does not happen in a few months. We should look for vendors that can point to many customers who will testify to the value the system has provided to increasing workforce productivity. Whichever path we choose, it’s important to remember that it isn’t about HR, it is about the business.

There are different types of business cases that can be written. A blend of multiple types will create a stronger business case. Utilize both quantitative and qualitative where applicable. A quick example of a qualitative effectiveness case would be to build it around such concepts as accessibility to talent capabilities and what they are doing; an example of quantitative effectiveness is promotion rates, cost-of-hire and turnover.

Sample Quantitative Efficiency Business Case:

Our hypothetical company's leadership has placed a directive to grow our global business by 27 percent over the next four years, increase efficiency across the company by 6 percent, and increase profit margin by 4 percent. In evaluation of our processes and system, we have determined areas where efficiency can be increased through talent management automation. We have also evaluated areas of risk in our ability to support global expansion in our human capital processes as well as litigation risks associated with our current ability to monitor and coach our managers in the area of performance assessment and coaching.

Our studies have uncovered the following man hours-per-store manager spent on the annual performance process: 7hours on goal communication and updates per employee; .5 hours per direct report in gathering anecdotal performance data from paper files and/or e-mail systems; 1.25 hours on writing the evaluation; .5 hours searching for development opportunities in the learning management system (LMS) and .25 hours sending documentation of annual performance to appropriate parties. Total annual manager hours spent on annual performance review support activities for the average store (65 employees) is 617.5 hours. In our research with automation vendors in the performance management space, their clients in independent surveys have articulated a 75 percent reduction in time spent on goal communication by automation of goal data and communication of group goals at an annual meeting; 50 percent reduction in anecdotal data gathering of all performance notes managed within the performance management system, and; a 50 percent reduction in time spent on searching development activities by integrating the performance management system with the LMS. Should our company realize the same efficiencies, we would be able to give back 406.25 hours per manager annually to the store managers. If we reference this with our internal operational and finance study, which indicated for each additional 10 hours the managers spends on the floor managing the business and developing the employees, the store realized a .003% net gain in profit. A direct correlation can be drawn that the hours given back to the store manager from the automation process alone could drive a 1.21875% profit margin gain. These numbers also result in a 66 percent efficiency gain in the annual performance management process for a store manager. Lastly, by integrating performance data with a compensation management system, we can eliminate a 2.3% data entry error of performance scores into the compensation system. Due to compensation timing constraints, this error was not found until after increases were sent to the payroll system and erroneous checks had been issued. The company-wide annual costs from payroll were US$10,800 in retroactive corrections. We strongly believe, due to several comments on our engagement survey, that the double-entry errors have had an impact on the pay-related question rating on our employee engagement surveys as well.

We currently lack a system for goal management, performance management and succession planning. Our current manual processes with spreadsheets and word processing forms have severely hindered our ability to monitor adverse impacts on our assessment and promotion processes. In addition, we do not have insight into the capability of our current workforce at a depth that will allow us to assist the business with its global expansion. We believe that by moving forward with the talent management system we propose, we will be able to:

- Support a global standard for calibrated performance assessment. By calibrating assessment, we can ensure that all managers are assessing performance against the same definition. This will then enable us to consistently identify our top performers in the organization;
- Support the ability to view our top talent side-by-side in a systematic manner;
- Support the ability to gather career goal and travel interests of our workforce;

- Create development opportunities directly aligned to the skills sets will need to support global expansion; and,
- Support the ability to identify key roles in the organization, key talent, key at-risk talent, and roles in our efforts to support global talent planning.

We believe that the support of this initiative is critical to growing the company globally, increasing efficiency and increasing profitability.

In summary, driving to answer the business question of "What's in it for me?" for the entire business, not just HR, is the key to developing a true business case for talent management initiatives. If you can do this, you will no longer be viewed as an "HR Cost Center," but as a true "HR Strategic Business Partner" helping to facilitate a higher-performing organization.

About the Authors

Kelly McCombs, global talent management technology leader, Aon Hewitt, has spent 12 years in the areas of talent management and e-learning strategy and systems design. She has worked with many large global companies in the consumer goods and services, hospitality, energy, banking, retail and transportation areas, helping them to best leverage integrated technology to realize their HR strategic business objectives in the many areas of talent management. She can be reached at ***kelly.mccombs@hewitt.com.***

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