

**Talent
strategy
that
drives
business
strategy**

Introduction

A business strategy, even one rendered in meticulous detail, is simply a map. It may include turn-by-turn directions, alternate routes, travel time estimates, and a guide to points of interest along the way. Yet to actually cover the distance between points A and B, you need a vehicle—talent—that won't break down on the side of the road.

Look under the hood. Does your organization consistently have the caliber of people it needs, when and where it needs them? Is the board questioning whether milestones can be reached? Does Human Resources have a clear set of strategic priorities?

In short, is the talent strategy aligned to the business strategy?

In most organizations, including the Fortune 500, total human capital costs account for as much as 70% of operating expenses.¹ To get the most out of this investment, companies need to have a well thought out talent strategy. By aligning talent to business objectives, an organization gets the right people with the right skills focused on the right initiatives to drive the organization's strategy and accelerate business outcomes.

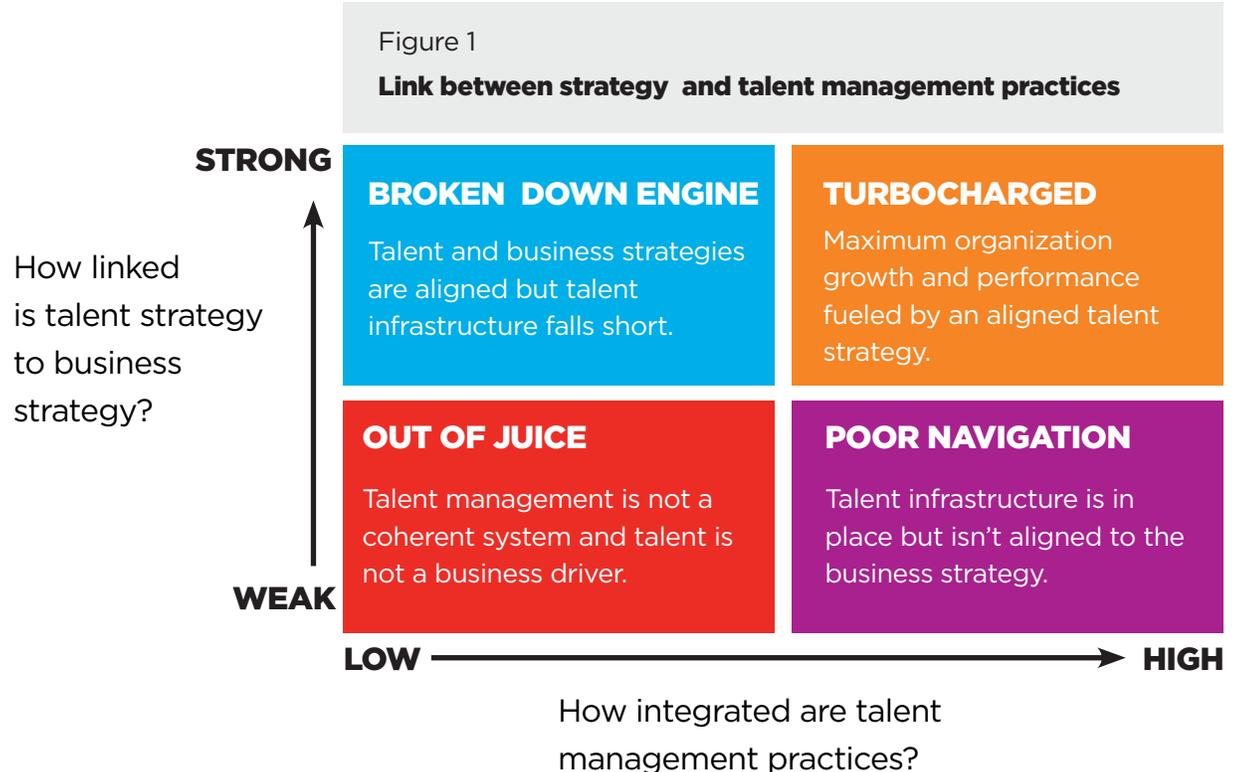
The road to alignment

Strategic talent management consists of two key elements — a vertical link to strategy and a horizontal link across all talent management practices.²

The vertical link (referred to as strategic alignment) is the connection between business needs and individual performance. A firm's talent management practices must develop people with the skills, knowledge, and motivation to implement the business strategy. Business strategies determine which roles provide competitive advantage, the type of talent required, and the skills to be cultivated and rewarded.

The horizontal link (referred to as integrated talent management) reflects how all the talent management practices are integrated into a coherent system and leveled at the same goals. An optimal system recognizes that different types of talent have different strategic value.³ Designing coordinated talent management practices that consistently invest in strategically important talent generates exceptional return for the company.

By optimizing both these vertical and horizontal links between talent and strategy, an organization builds a talent machine that fuels strategy execution and achieves business results.



A turbocharged talent engine

When a company aligns its talent strategy to its business strategy, it is more likely to achieve its strategic objectives, perform better in the market, and retain engaged, high-performing individuals.

The magnitude of the return on investment from aligning and integrating HR practices is substantial. One seminal study found that a one standard deviation increase in investment in aligning and integrating HR practices is associated with a 7.5% decrease in employee turnover and, on a per employee basis, \$27,044 more in sales, \$18,641 more in market value, and \$3,814 more in profit.⁴

Additional studies show that when companies align talent strategy with business strategy, there are clear positive results:

- A boost in morale⁵
- Increased productivity^{4, 6}
- Increased discretionary effort⁷
- Lower turnover^{4, 8}
- Higher customer satisfaction⁶
- Improved process and machine efficiency⁶
- Enhanced ability to be innovative across the company⁷
- Better company financial performance^{4, 5, 7}

To reap these business benefits, there are a few crucial success factors. A company's business strategy must be sound and its talent strategy must be designed to support the business strategy and integrated across all human resource practices. Although it is helpful for the talent strategy to be based on best practices, research has found that aligning HR practices to business strategy has a stronger impact than best practices in achieving positive outcomes.^{9, 10, 11}

A clear way forward

Commonly, the approach to business and talent strategy alignment overemphasizes either business strategy or talent practices. On one hand, formulation of the business strategy can eclipse the execution realities and the talent required. On the other, talent experts may focus too heavily on general best practices without considering the unique context of the organization.

Business and talent strategy alignment works best when the approach includes:

- A structured process that is research-based and backed by strong intellectual property.
- Thought leaders, experienced with strategic alignment, who have insight on the business/industry context as well as talent practices.
- A facilitated dialogue among top business and HR leaders.

Korn Ferry recommends a structured process to define, prioritize, and sequence strategic investments in talent by exploring the following areas:

Survey the business context. Aligning business and talent strategies demands a broad perspective of the business landscape. Understanding external business issues such as twenty-first century trends, economic realities, and industry context can provide a useful backdrop for the business strategy.

What industry trends are emerging? How are these affecting different companies? What assumptions are being made about where the industry is going? Where are competitor organizations placing their bets?

Understand the business strategy. The next step is to gain an understanding of the strategic intent and objectives of the organization. Given the increased size and complexity of companies today, one might find multiple (and possibly competing) business strategies when surveying the enterprise.

What are the strategic objectives and plans for achieving them? What are the critical business processes? Where are there constraints in those processes? How does the organization differentiate itself from competitors?

Identify the organizational capabilities required. Knowing what an organization needs to excel at in order to achieve the business strategy is key to creating a powerful talent strategy.¹² Organizational capabilities or “core competencies,” which include success profiles for specific roles or individuals, is one approach to bridging the talent and business strategies.¹³

What can the organization be the best at? What does the organization need to excel at to meet its strategic objectives?

Identify talent implications. A company’s leadership and talent is the source of much of its competitive advantage. Given that, organizations must discern exactly what talent is needed to shape, advance, and execute the strategy successfully.

What talent constraints must be addressed to achieve the strategy? What talent is associated with the strategic business processes and leveraging those processes for competitive advantage?

Create an aligned talent strategy. A talent strategy synthesizes the previous inputs—the organizational capabilities, talent available, pivotal roles, opportunities for advantage, constraint risks—into an actionable plan. At this stage, an organization knows how it is measuring up on mission-critical capabilities and talent gaps. A sound talent strategy closes critical gaps and leverages talent to create the greatest impact on strategy execution.

Is the necessary talent available in the market? If not, what are the differences? What are the success profiles for key roles? What best predicts success for leaders in the organization?

Design and align HR and talent management processes. Now the task is to fully align all the talent acquisition and management processes so that they become a complementary force in support of the strategy. The focus here is not simply on optimizing each process, but making sure that the system is an integrated whole, and tailored to meet the varied talent needs across the organization.

What is the best way to align talent processes and programs with the talent strategy? What key metrics indicate how well talent processes are fulfilling the talent strategy?

Korn Ferry's Talent Strategy Workshop—a collaboration between a company's senior team, talent leaders, and Korn Ferry partners—translates a company's business strategy into talent priorities to jump-start the alignment process. During the multi-day workshop, organizational leaders build a shared vision of the strategic talent needs, identify the critical organizational capabilities, and focus the talent investment where it matters most. The key outcome is a talent strategy roadmap, which reflects the unique direction of the company, and leaves organizations with specific and actionable objectives to better align talent strategy with business strategy.

Caution: alignment roadblocks ahead

Alignment does not mean talent strategy imitates business strategy. Too often people confuse “alignment” with “reflect.” The logic goes like this: the business strategy is to drive innovation, so HR must innovate, right? Not necessarily. Rather, what HR needs to do is provide the talent that will drive innovation. Talent strategy needs to be designed to make the business strategy successful.

One size does not fit all. There is no single winning formula. Tailoring talent management practices to a company's specific circumstance involves paying attention to industry, business life cycle, and strategic direction considerations. In fact, research shows that aligning HR to the needs of the business is more valuable than simply following established best practices for HR.¹¹

Roles are not created equal. All roles are important to the success of an organization. However, some roles contribute to table stakes whereas others are vital to the success of a specific business strategy. Segmenting talent and applying specific talent management practices to those differentiated segments yields a greater return on investment.

The destination: talent that drives strategy

For an organization to become turbocharged its talent must be precisely targeted toward its strategic objectives.

For an organization to become turbocharged—achieving its maximum growth and performance—its talent must be precisely targeted toward its strategic objectives, and its talent practices must fire in sync with one another. Organizations that have such alignment are best positioned to execute plans and reach their goals.

Strategic talent management can further become a source of sustained competitive advantage for organizations. However, there are some important guideposts organizations should keep in their sights when designing and implementing a strategically aligned talent management system:

- The business strategy and market context should be the primary forces shaping the talent management approach.
- In addition to aligning to the strategy, talent management practices need to be aligned to and integrated with one another.
- Business strategy can be translated into required organizational capabilities which drive talent investment decisions.
- Strategically vital talent must be managed differently. By segmenting talent, organizations are better able to tailor talent management practices for maximum return.

Korn Ferry's approach to alignment is designed to deliver business results. The framework involves mapping the business context and strategy, identifying talent implications, and creating an aligned talent strategy. The process also includes identifying organizational capabilities, pivotal roles, and success profiles, as well as defining the best way to source and manage critical talent.

Talent resources represent an enormous source of sustainable competitive advantage—if they are pointed in the right strategic direction. When business and talent strategies align, the journey to successful execution will be a smoothly paved road.

Notes

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The authors



J. Evelyn Orr

Director of Thought Leadership for the Korn Ferry Institute.

evelyn.orr@kornferry.com



Ilene Gochman

Senior Partner with Korn Ferry Leadership and Talent Consulting and Global Leader of Talent Strategy.

ilene.gochman@kornferry.com



Michael McGowan

Director of Consulting Solutions and Innovation for Korn Ferry.

michael.mcgowan@kornferry.com

About Korn Ferry

At Korn Ferry, we design, build, attract and ignite talent. Since our inception, clients have trusted us to help recruit world-class leadership. Today, we are a single source for leadership and talent consulting services to empower businesses and leaders to reach their goals. Our solutions range from executive recruitment and leadership development programmes, to enterprise learning, succession planning and recruitment process outsourcing (RPO).

About The Korn Ferry Institute

The Korn Ferry Institute, our research and analytics arm, was established to share intelligence and expert points of view on talent and leadership. Through studies, books and a quarterly magazine, Briefings, we aim to increase understanding of how strategic talent decisions contribute to competitive advantage, growth and success.

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