CREATING A TALENT-FIRST CULTURE

WHY IT'S CRUCIAL TO THE SUCCESS OF AUSTRALIAN BUSINESS

NSW GOVERNMENT | TAFE NSW

ENTERPRISE

A STORY OF TWO ORGANISATIONS

Picture two organisations that have the exact same technology, capital and scale. Both are tasked to complete the same project within three years.

One organisation finishes the project within three years. The other only needs one.

What made the difference? The answer: talent.

If you ask any business leader, CEO or manager, they will say the same thing: talent is an organisation's most important asset. It's key to maximising business performance and growth.

So, why is it that so many business strategies, management practices and organisational structures are not being built around employee talent?

In this report, we discuss why a Talent-first culture is so important to the growth and success of Australian organisations, we explore the current attitudes and behaviours towards talent management, both on a global and local scale and we outline three crucial steps to help your business transition into a Talent-first organisation.

WHY IS TALENT-FIRST CULTURE SUCH A BIG DEAL?

Talent-first organisations prioritise the development and satisfaction of their teams.

Businesses with higher-quality talent are more productive, more efficient and get to market quicker than their competitors.

A McKinsey & Company study found that the relationship between the quality of talent within an organisation and the performance of the business is strong.

The study, involving 600,000 people across the entertainment, politics and sporting industries, found that on average, high-performing talent are **400 percent more productive** than those employees considered average in talent.

Interestingly, the more complex the role or business function, the higher the productivity gap between high-quality and average talent performing that same role. **In highly complex roles, such as software development, high performers were as much as 800 percent more productive than average performers.**
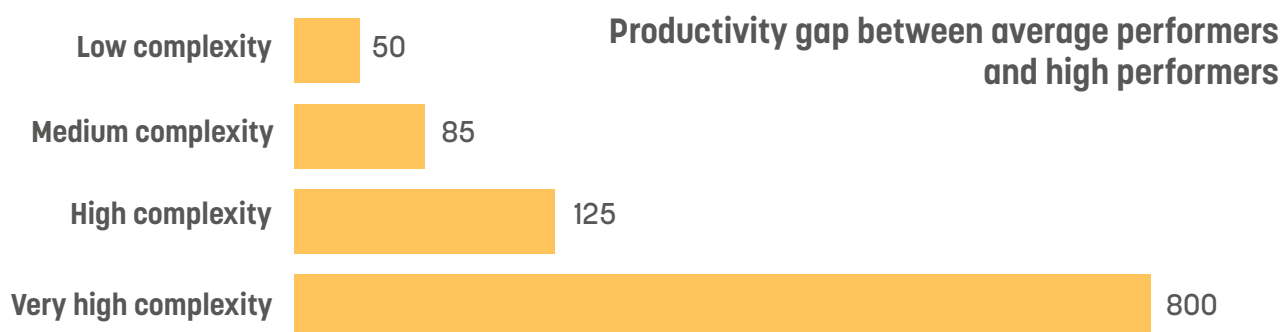
The impact of this is dramatic. The productivity gap means that a single employee in the top 1 percent of high-performing talent is worth 12 times more than their peer in the bottom 1 percent.

This is not only significant in terms of productivity, but in terms of efficiency.

Filling a team with high-performing talent also means that projects can be executed and completed faster which can save up to two years of company time.

This phenomenon has been felt by those at the top. Renowned management consultant Jim Collins has said 'the single biggest constraint on the success of my organisation is the ability to get and to hang onto enough of the right people.'

The question becomes: how do businesses find and retain the right people? Is it better for businesses to upskill existing employees or to recruit new employees?

Productivity gap between average performers and high performers

Complexity	Value
Low complexity	50
Medium complexity	85
High complexity	125
Very high complexity	800

Source: "McKinsey Global Survey: War for Talent 2000", refreshed in 2012.

THE WAR ON TALENT: TO TRAIN OR TO RECRUIT?

One of the biggest issues facing Australian organisations is whether to invest in training their current teams or to invest in recruitment.

The war on talent refers to the increasingly competitive landscape for recruiting and retaining talented employees. In their book of the same name, Ed Michaels, Helen Handfield-Jones and Beth Axelrod state that the single biggest predictor of the success of organisations is their ability to attract, develop and retain managers at all levels.

Ed Eppley of the Eppley Consulting Group comments that business owners will make a choice about whether they are going to be a 'net importer' or 'exporter' of talent.

The Eppley Group is a group of leading global experts in professional management whose clients range from BMW to PSA Airlines.

This decision is based on return on investment. Will it be more expensive to find, hire, train and retain new talent? Or to upskill, develop and retain the talents of an existing team?

Often the hesitation to invest in upskilling existing employees is based on the fear that once trained an employee may leave to join a competitor. With an overall average attrition rate of 15.1 per cent in the US in 2016, and the average cost per hire upwards of approximately $5,000, it's not hard to see the basis for this fear.

However, in reality, the opposite is true. Mark Thompson, Business Advisor at Aileron, a widely recognised North American consultancy that helps grow businesses around the world, observes that providing an environment that supports individual development saw employees become more loyal to their organisations, not pull away.

Thompson also notes that those who did leave worked for their own clients and became advocates for the business within their new organisations, which can still be considered a win.

"How can you not invest in people?" It's your only difference," says Thomspson.
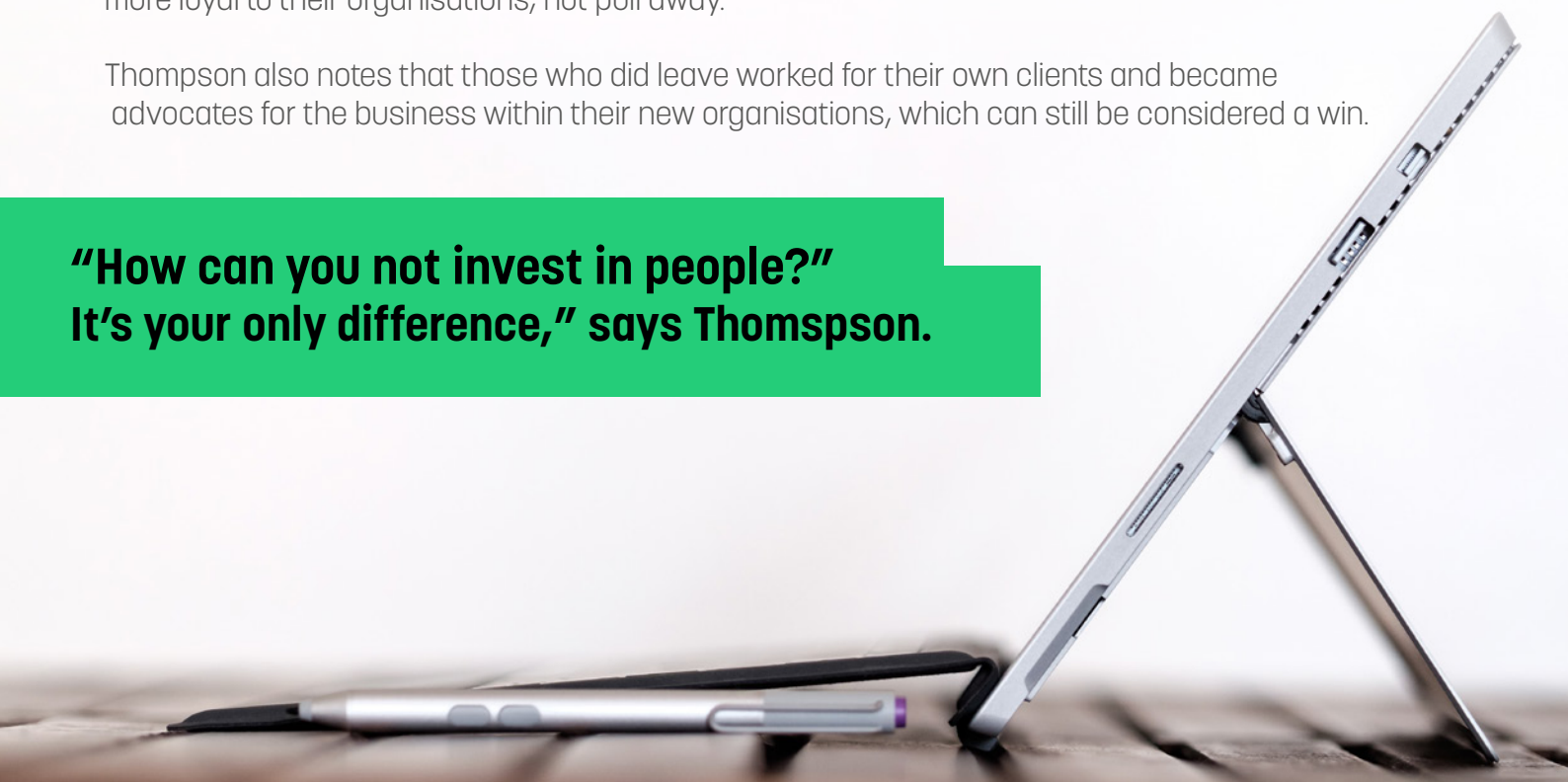
SIDE-STEPPING THE TALENT RAT-RACE:

HOW BUSINESSES AVOID LONG-TERM TALENT SOLUTIONS

While business leaders and key decision makers agree that developing talent is key to growth and improvement, the reality shows a disconnect.

Businesses are side-stepping the talent rat-race: why?

There are a number of reasons:

- The interval between recruitment and training can make it seem too risky and unproductive to develop talent in-house.

- Organisations are increasingly recruiting key talent, including freelancers and contractors, to optimise processes in the short term.

- Organisations are forming relationships and partnerships with other organisations that have ready access to specific talent and capabilities.

These interim solutions may allow businesses to keep the doors open, however, avoiding long-term talent development and retention strategies has a negative impact on an organisation; particularly evident in leadership teams.

A stunning 82 percent of Fortune 500 executives believe their companies do not recruit highly talented people; of those who do, only 7 percent believe they are able to hold onto them.[1]

Further, only 23 percent of manager and senior executives who are actively involved in talent-related activities believe their current acquisition and retention strategies will work.[1]

So, if many businesses aren't currently investing in long-term talent, what are they currently doing to meet their staffing needs?

1 www.mckinsey.com/business-functions/organization/our-insights/attracting-and-retaining-the-right-talent
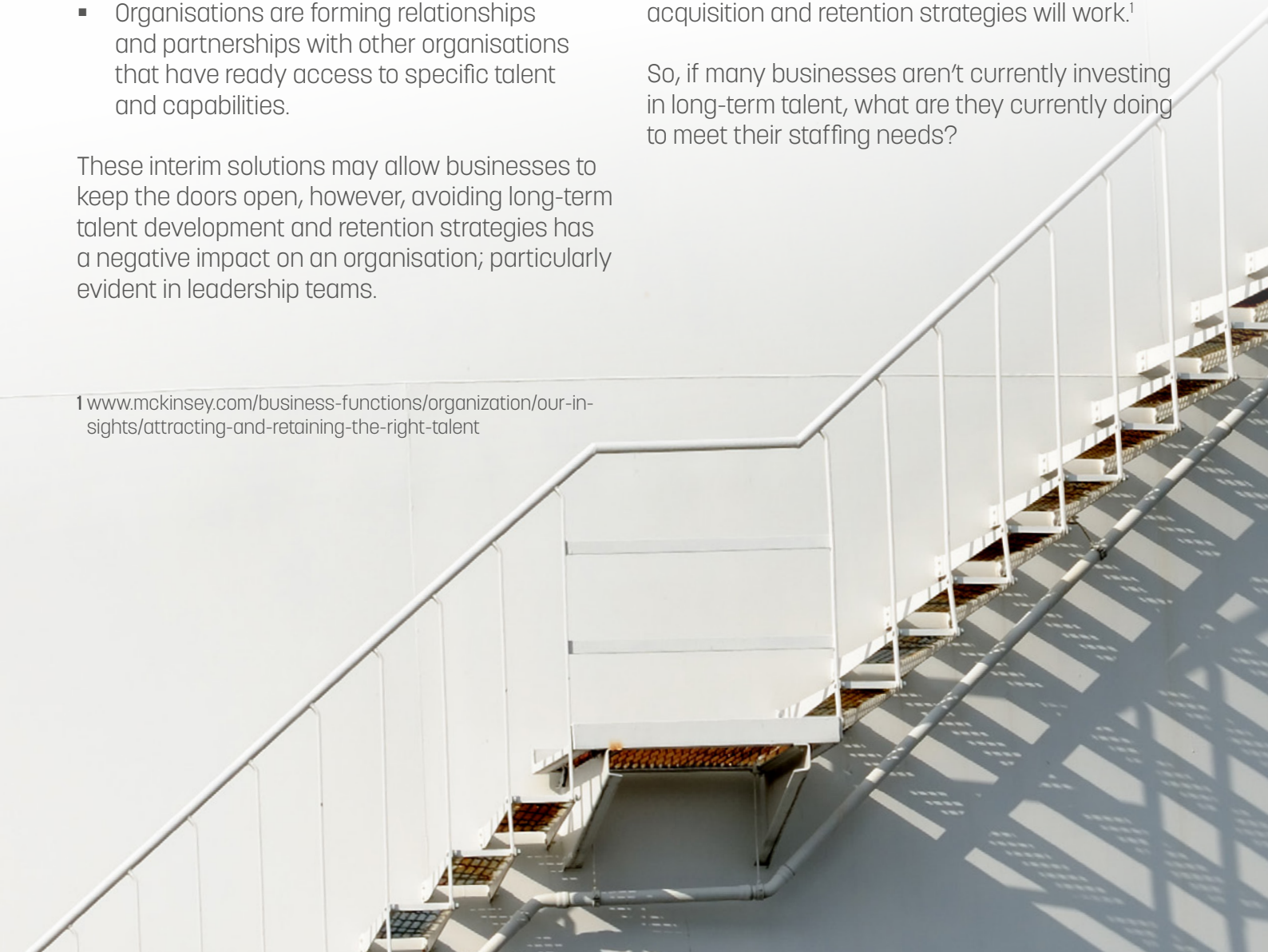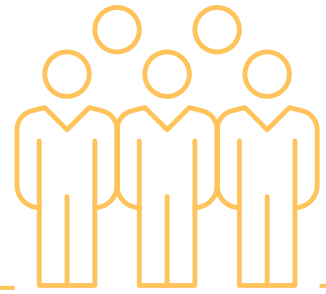
A TALENT-FIRST CULTURE IN AUSTRALIA: HOW DO WE STACK UP?

According to the TAFE Enterprise Skills and Australian Business Report 2018, some organisations admit to spending less than one percent of their turnover on training. Yet 68 percent of the same respondents agreed that training is the key means of retaining high-performing talent.

The business report also found that while 80% of Australian businesses agree that they should invest more in staff training, not as many are willing to make the investment. This lack of motivation has seen 73% of businesses cite a lack of training as the reason for an increase in staff turnover.

So while a huge percentage of Australian businesses agree that they should invest more in staff training, few are willing to make the investment.

The burden of cost might not be as heavy as many believe. **NSW businesses spend an average of $1,685 per employee on training and development** (whether that amount is spent on effective training is another question entirely).

These figures may paint a bleak picture of Australian attitudes towards developing talent at present, however, they do shed light on a huge opportunity that awaits those pioneering organisations who are willing to develop Talent-first business cultures.

WHAT DOES A TALENT-FIRST ORGANISATION LOOK LIKE?

In order to capitalise on this opportunity, it's important to first consider what a Talent-first organisation looks like.

Dr Geethani Nair, Head of SkillsPoint, Technology & Business Services at TAFE NSW, identifies the two main factors that Talent-first organisations have: systems and people.

Talent-First organisations build systems around a Talent-first mindset.

"[These organisations] will empower its employees, give them time to experiment and fail... It isn't 'you're not capable so I control,' it's more 'You're capable and I'm going to expect you to deliver and if you don't you'll be accountable.'"

For empowerment based systems to work, organisations need high-performing, talented staff. This is where training strategies and solutions are needed.

"At SkillsPoint we recognise that businesses who adopt a Talent-first mindset are highly likely to succeed," says Dr Nair, **"We're already creating customised courses to help elevate the top talent in companies like Telstra and NBN, because we believe it's major for growth in business."**

CREATING A TALENT-FIRST CULTURE IN THREE EASY STEPS

For the sustained growth and success of Australian organisations we need to create a Talent-first culture:

1 CHANGE BEGINS AT THE TOP

- Form a senior leadership group dedicated to talent. These teams usually comprise of the CEO, CFO and CHRO.

- Succession planning – from middle management up to C-suite, how do you plan to keep your employees motivated, productive and engaged?

- Strategy – how is your business going to attract the best external talent?
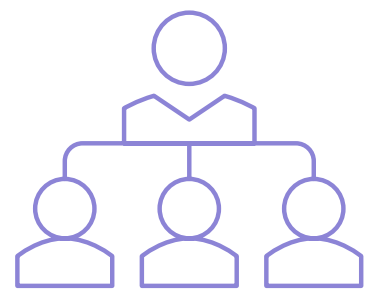
2 IDENTIFY AND INVEST IN YOUR TOP TALENT

- Your high performing talent are your most valuable asset.

- Identify who your talent is and concentrate resources into developing them into future leaders of your business. Discuss your high performing talent – how will you train to retain?

- Match them with appropriate high-level training that is tailored to your business needs.
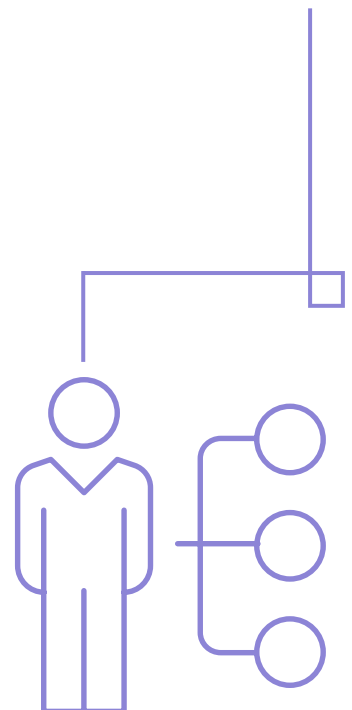
Telstra partnered with TAFE Enterprise to create tailored leadership programs for high performing employees.

Working with the internal capability development team, TAFE Enterprise built a training solution based on customised case studies and work-integrated projects. Employees walked away with graduate certifications, which are highly regarded within the business.

3 CREATE SPACE FOR YOUR TALENT TO LEAD FROM BELOW

- Collaborate with your newly-trained talent. To reap the benefits of training, employees need to implement what they've learnt.

- Give your top-performers the freedom to bring new ideas to the table. Empower them to take responsibility and watch your organisation grow.
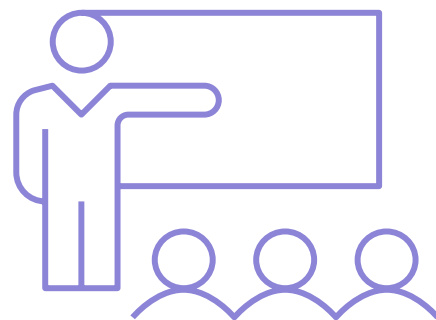
> "Go after the cream of the cream. A small team of A+ players can run circles around a giant team of B and C players."
>
> – Steve Jobs

Want to know how to transform your business into a leading Talent-First organisation?
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