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From talent management to talent optimization

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ABSTRACT

The term 'talent management' has been around for quite some time, but definitions abound around the globe, applications are varied and a plethora of measures—mostly tactical—are currently being used. This article addresses how the concept of talent management is of both theoretical and practical value in any industry or geography. How can we know when talent investments have been optimized? What is the talent lifecycle and why is it important? Additionally, the article presents and illustrates the People Equity framework that serves as a global bridge between important individual and business outcomes such as turnover, financial performance, quality, productivity, customer retention, and organizational processes and policies that drive high or low talent optimization.

The term 'talent management' has been around for quite some time, but definitions abound around the globe, applications are varied, and a plethora of measures—most tactical—are currently being used. Furthermore, while senior executives have begun to embrace 'talent management,' they are often embracing different things. Many have appointed Chief Talent Officers with widely differing responsibilities; some focus only on leader development, others on various employment stages from hiring to retention, and still others focus on organizational design and processes. While multinationals seemingly desire to standardize such definition and applications, this author has found multiple uses of the term across U.S., European, and Asian operations of the same firm for example. Putting aside all the confusion, here is a key question: Is talent management a unique concept or simply a new label for the "old wine" of leader development, succession, on-boarding, training, and so forth?

This article addresses how the concept of talent management is of both theoretical and practical value. More specifically, I address these questions:

- What is talent management?
- What is the talent lifecycle and why is it important? The talent lifecycle—from attracting and acquiring talent to onboarding, developing, managing, retaining and even recovering talent—captures the myriad ways in which an organization interacts with talent.
- How do we know when talent investments have been optimized? The concept of People Equity (Schiemann, 2006) is one potential framework for addressing this question. Some of the theoretical underpinnings and empirical research related to People Equity, as well as examples of its practical use across country borders, are discussed.

Next, I will address how the People Equity framework can inform investment decisions about how best to manage human capital and the talent lifecycle. For example,

- Are organizations attracting talent that is not only capable but also a good fit?
- Are recruiting and selection strategies effective?
- Are we onboarding talent in such a way that it becomes acculturated?
- Do performance management processes help optimize human capital investments?
- Are we identifying and selecting potential leaders who can optimize talent investments?

Finally, a key issue is the measurement of human capital investments, and more specifically, talent optimization, which is highly fragmented. This article will discuss how the People Equity framework—one which is eminently measurable across countries and cultures—serves as a universal bridge between important individual and business outcomes, such as turnover, financial performance, quality, productivity, customer retention, and organizational processes and policies that drive high or low talent optimization. An example of its use across countries and regions is presented.

1. What is talent management?

Before tackling talent management, it is imperative to define "talent." Definitions of talent abound. Ulrich proposed that it

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equates to the combination of 'competence, commitment and contribution' (Beechler & Woodward, 2009). McKinsey & Company defined 'talent' as 'the sum of a person's abilities ... his or her intrinsic gifts, skills, knowledge, experience, intelligence, judgment, attitude, character and drive. It also includes his or her ability to learn and grow' (Michaels, Handfield-Jones, & Axelrod, 2001, p. xii). In interviews conducted by the author with senior executives, some use the term 'talent' to refer to key employees such as executives or managers. For purposes of this paper, I define *talent* as *the collective knowledge, skills, abilities, experiences, values, habits and behaviors of all labor that is brought to bear on the organization's mission*. This definition is broader than some and reflects the author's bias of thinking about labor investments holistically. Think about what capability is added to or subtracted from the organization as a result of acquiring or losing a person. This labor may be in the form of employees, but it could be contractors, outsourced labor, or other forms of labor supply.

Talent management is a unique function that integrates all of the activities and responsibilities associated with the management of the talent lifecycle regardless of geography—from attracting and acquiring talent to developing and retaining it. A key measure of success is the ROI[1] on the investment of talent as a resource, when the 'return' is considered broadly to include benefits beyond financial ones alone.[2] Consider an example. If two restaurants within a quick-serve chain invest in 20 employees per restaurant and one achieves 20% higher sales than another, that restaurant is providing a higher return on the labor dollars invested. Or, if they both achieve the same sales, but the average labor cost invested in one is 10% less than the other, it too has achieved a higher return on invested talent. We could generalize this then to two competing burger chains operating in the same territories with approximately the same supply and capital costs. If one is able to leverage its talent investments more than the other, the shareholders will achieve a higher return on investment, other things being equal. In this situation, how well talent is leveraged will provide a competitive advantage.

To accomplish the higher return, multiple people in the more competitive organization are doing something with talent that enables it to leverage this important asset better than the other competitor. This might include the restaurant manager, policies driven by HR and senior leaders, a coach or leader of the restaurant managers, or even a recruiting firm—essentially anyone who touches the talent lifecycle in a way that enables talent investments to be leveraged effectively. For example, a common way in which this is done is through better training. In a recent study with one fast-food group, access to training has been found to be a major driver of business performance. Restaurant managers in the heat of competitive battle, or meeting cost targets, might short circuit the complete training program, figuring that employees in this industry turn over quickly. But that thinking was proven faulty because those who did not train their employees effectively experienced a significantly higher incidence of job failure. This led to greater staff turnover. Access to training enabled employees to be successful in front of customers and to stay on the job longer, spreading hiring and replacement costs over a longer period of time. The managers who provided effective training had lower overall labor costs, despite investing time and money in training.

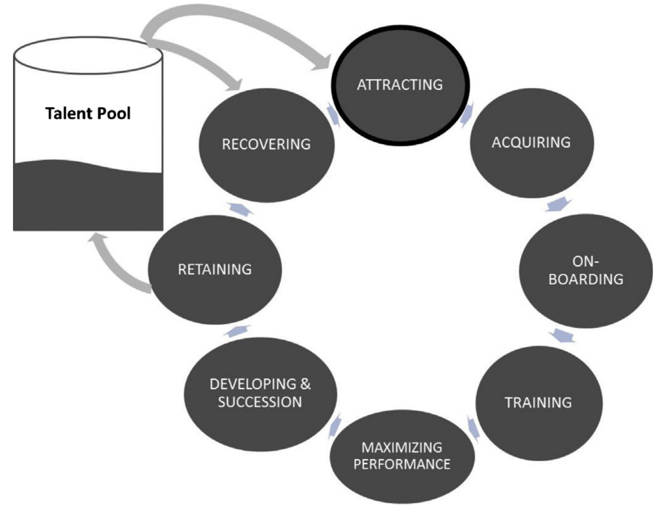

Fig. 1. Talent lifecycle.

2. What is the talent lifecycle and why is it important?

The *talent lifecycle* encompasses all of the stages of interaction between an organization and its human capital. This ranges from building a talent brand that attracts the right talent to acquiring, onboarding, developing, managing, retaining and even recovering talent (see Fig. 1). Organizations touch people in many profound ways before, during and after they are embedded in the organization. Notice the word embedded and not employed. Long-term contractors, outsourced labor, or other labor market intermediaries (LMIs) (Bonet, Cappelli, & Hamori, 2013) are more prevalent today across country boundaries, but have many of the same important characteristics as employees. These people can partner with the organization for a long or short time. They can provide discretionary effort or not. They can work hard or work smart in ways that are more aligned with the organization's goals. They can take the extra step to stay abreast of their areas of expertise or not. In short, all forms of labor are important in innovating, producing products or services, recommending new employees, and providing a positive or negative image of the organization. The difference between those incredibly positive behaviors and neutral or negative ones can spell the differences between success and failure for the organization.

The talent lifecycle is the path upon which most people interact with the organization. *Talent management is the way in which the talent lifecycle is managed*. How well that lifecycle is managed will determine the level of effectiveness of those talent investments.

Talent optimization means that the organization has balanced talent acquisition, development, performance and retention strategies, processes and policies so that it maximizes the outcomes of those talent investments—higher employee productivity, greater customer retention or purchasing, higher quality, higher retention of desired employees, reduced regulatory or environmental risks, and strong operational and financial performance.[3] A growing challenge today is doing so across country and cultural differences.

Let us consider two examples. Because of Google's employer brand—a cool, innovative, and liberal but demanding employment environment—it attracts the best and brightest around the globe.

[1] ROI here could include financial and non-financial value to the firm, such as gains or losses to reputation.

[2] For purposes of this paper, ROI is considered from the organization's point of view. It is acknowledged that there are other forms of value such as societal ones (e.g., creating employment) or individual ones (career growth or fulfillment), but the focal point of this paper is the value to the organization.

[3] It might also be argued that it would be even more valuable to society if the organization did these things in a way that also enhanced sustainability or individual outcomes, such as career growth, better health outcomes, or enhanced life fulfillment (Wirtenberg, Harmon, Russell, & Fairfield, 2007; Wirtenberg, Lipsky, Abrams, Conway, & Slepian, 2007).

At one time, Google had approximately 10,000 resumes being submitted each day. At that rate, it could pick and choose the most desirable talent in almost any country. But who the company chose, how it acculturated and developed them, and how it managed performance influenced whether Google retained top performers, innovated new products, and delighted customers (Bryant, 2011). Google is managing thousands of 'best and brightest,' and they all won't be at the top of the performance curve. Google faces an important challenge in hiring those who will 'fit' the Google culture, regardless of their home culture—being smart only opens the door to an interview. Expectations set during the interview process and during onboarding and acculturation are important, so that entering 'super stars' in their former lives won't be disillusioned if they are just average at Google. Performance reviews will need to be handled in a way that doesn't demotivate these 'stars.' Rewards will have to measure up to a 'top place to work.' Every organization faces similar challenges—how to telegraph an employer brand to the local or global labor market and then refine hiring, development, performance management, and corporate values to create a coherent work environment that retains the best performers, achieves high productivity, maximizes customer outcomes and helps grow the organization's value.

Yahoo provides another example. Recently it was reported that CEO Marissa Mayer issued an edict that all Yahoo employees must now work in their office cubicles rather than remotely (Miller & Rampell, 2013). Young, technology-savvy individuals don't react well to 'you-must' imperatives. They are used to working odd hours, which often stimulate creativity and productivity. The move by the CEO was apparently taken to curb abuses by some. It created the risk, however, of demotivating a majority of the workforce, who might well see competitors in their industry as more attractive. Top performers always have choices. They could abandon Yahoo for a competitor, leaving the compliant and those with fewer options as the default employee profile. Furthermore, the extensive public awareness of this new edict is likely to reduce the interest of potential new hires. The creative employer brand of Yahoo was all of a sudden in conflict with work edicts more typical of a manufacturing plant or a call center.

3. What is People Equity and how can it help in managing the talent lifecycle?

In this section, we will examine the People Equity (Schiemann, 2006) framework and its potential as a lens to understand and manage talent more effectively, regardless of industry or global location. Later, an example will be presented of how this concept can be measured across different countries and regions.

People Equity is defined as the collective state of Alignment, Capabilities, and Engagement (or ACE for short) in an organization:

- Alignment is the degree to which everyone in the organization is rowing synchronously in the same direction. Strong alignment is indicated by behaviors that are aligned with goals, customers and the brand. Horizontal alignment—units working synchronously together across structural boundaries—is also quite important.
- Capabilities are defined with the customer in mind. It is the extent to which competencies (e.g., knowledge, skills), information, and resources are sufficient to meet internal or external customer expectations.
- Engagement is comprised of three factors: satisfaction (e.g., Abraham, 2012), commitment (e.g., Bakker & Schaufeli, 2008; Dansereau, Cashman, & Graen, 1973; Graen, 2013; Meyer & Allen, 2007), and advocacy (Tsarenko & Mikhailitchenko, 2012). The former two factors are state engagement constructs (Macey & Schneider, 2008) while advocacy includes extra-role behaviors—actions beyond the minimal requirements of the role. These could include innovative behaviors, extra time in role activities, or going out of the way to recommend the organization to potential employees, customers or others. Its conceptualization in the People Equity model includes both the affective states that create the condition for this discretionary effort (satisfaction and commitment) and a willingness to take actions on behalf of the organization or others in the organization. For example, when basic satisfaction drivers—job security, compensation and benefits, fairness—dropped in difficult economic conditions, engagement plummeted (Seibert & Schiemann, 2010). In contrast, when satisfaction and commitment are high, organizations that can also achieve high advocacy—such as endorsing the organization publicly—have the highest engagement.

Ralph Izzo, CEO of Public Service Enterprise Group (PSEG), encapsulates the three elements, saying: "To be successful, you need great leaders who know how to optimize their talent by focusing it, developing the right capabilities, and creating engagement" (Schiemann, Seibert, and Morgan, 2013). If talent is managed well, People Equity should grow and we believe that high ACE is a surrogate for high talent optimization.

4. The evidence

People Equity can impact a variety of important organizational outcomes, including higher financial performance, greater quality, and lower employee turnover (Schiemann, 2006; Kostman & Schiemann, 2005). Subsequently, additional research on multiple continents (Borg, Groenen, Bilsky, Jehn, & Schwartz, 2010; Schiemann, 2009b) has not only validated this in a variety of organizations and industries, but also extended our understanding of the power of ACE to explain and predict important outcomes. Consider some large-scale, cross-industry findings:

- In a study of 2041 companies from 30 industries, Kostman and Schiemann (2005) found a high correlation between People Equity and financial performance, quality and employee turnover. For example, top-quartile People Equity companies had one-half the turnover that bottom quartile companies reported.
- Seibert and Lingle (2007) found that People Equity and a quality culture (e.g., support and use of six sigma, lean) were strongly connected. While improving either People Equity or quality processes alone improves performance, the combined effect is multiplicative, often yielding a fourfold increase in performance. This may explain the criticality of not only designing and applying quality processes and principals, but also improving the alignment, capabilities and engagement of those who will use them.
- Seibert and Schiemann (2010) found that internal value was also related to ACE. That is, if we improve ACE in our internal staff and supply-chain functions (e.g., HR, IT, Finance, R&D, Marketing, Manufacturing), it also enhances financial and customer outcomes. In the case of internal staff functions, high People Equity departments are rated as delivering far higher value than low People Equity units.
- Thomas Belker, the CHRO of OBI Group, the largest retailer in Europe, has validated that Engagement alone was not enough to move beyond modest improvement levels, but when adding a focus on Capabilities and Alignment in particular, OBI Group experienced breakthrough results (Belker, 2012).

One could easily make a case that high People Equity (ACE) is a reasonable surrogate for how well talent is optimized in an organization. In the prior studies, ACE accounts for a large percentage of the variance in many important business outcomes as well as individual outcomes such as turnover.

5. Using People Equity to inform talent investments

So how is ACE, in turn, influenced by how we manage talent and how we manage the talent lifecycle (see Fig. 1)? Below are some practical ways in which an ACE lens can be used to evaluate and understand how well talent processes are working.

Talent acquisition. Do recruiting and selection strategies lead to hires that become high ACE employees? Industrial and Organizational Psychologists tell us that we are lucky to hit 60 percent success rates in hiring (Levin & Rosse, 2001); many organizations do far worse. If we look at hiring as a series of processes that help us find hires that will be highly aligned, capable, and engaged, then hiring successes and failures are easier to understand.

Competencies are rarely the issue in large organizations because most have used validated selection tools that are typically good at identifying skills, abilities and experiences that are important for job success. Many organizations, however, are less well equipped to identify those who will be likely to become *aligned* and *engaged* with the mission and culture. In a recent series of executive roundtables conducted by the author and his colleagues, "fit" is often cited as the biggest reason for hiring failures. When asked to describe fit, these managers typically cite alignment with the organization's goals, values, or culture or a failure of the individual to become engaged in the organization.

The interview, which is notoriously unreliable as used in many organizations (Carlson, Thayer, Mayfield, & Peterson,1971; Heneman, Schwab, Huett, & Ford, 1975; Mayfield, 1964), is a tool that could be used more effectively to identify in advance the likelihood of a new hire being aligned and engaged in the new organization. For example, by standardizing interviews and calibrating interviewers, reducing interviewer stereotypes, balancing the order of negative and positive information, probing areas of alignment and engagement, and scoring candidates on these factors, the interview could become a stronger tool in the identification of poor fits (Schmitt, 1976). This is one reason why internal hires are typically more successful (Bidwell, 2011; Klaff, 2004). An organization already has knowledge about the Alignment, Capabilities, and Engagement profiles of internal candidates. A positive ACE profile, coupled with the candidate's higher knowledge of the new unit than an outsider, should increase the likelihood of success.

Acculturation is a critical stage in managing the talent lifecycle. There is a risk of losing new hires or contractors physically or mentally early in the game. While some employees may bolt quickly when they sense there is not a good fit (Brkich, Jeffs, & Carless, 2002; Kristof-Brown, Jansen, & Colbert, 2002) or that the organizational environment was misrepresented during the talent-acquisition process, others who feel this way are likely to bide their time waiting for an exit strategy. This, of course, means that the organization has people in place who really don't want to be there. Says Allan Weisberg, former Chief Learning Officer of Johnson and Johnson, "Onboarding is too often more about procedures than on how well a new hire is integrated into the fabric of the organization." Years of research of the Leader–Member Exchange theory (Dansereau et al., 1973; Graen, 2013) tell us that bonds are crafted early in a new relationship.

Many organizations focus on Alignment issues (e.g., polices, procedures, goals) or Capabilities (e.g., training), but often miss the early Engagement aspects that are so important to connecting with leaders, peers, or subordinates. For example, dual feelings of wanting to be part of a team, but also being recognized for one's individuality, are the dynamic often heard from employees in focus groups or interviews. To engage these new hires, managers need to create a welcoming environment, with clear, mutually agreed-upon expectations between the new hire and the manager and peers. The supervisor can greatly influence Engagement by matching the individual to issues that are important to him or her—recognition, growth opportunities, safety and security, fair treatment, or open communication.

Performance management, a frequently dreaded process by many managers, often fails because of a basic conflict among the elements of the model. Performance management is often thought of as the process for creating Alignment—clear goals and measures linked to team, department and organizational goals. That is usually the easy part. The harder part is staying focused, managing deviations, and enabling employees to develop skills to perform better (Pulakos, Mueller-Hanson, O'Leary, & Meyrowitz, 2012; Schiemann, 2009a). This is often where the wheels come off the wagon. In an attempt to evaluate performance and correct deviations, people leaders often compromise Engagement. Providing feedback is both a skill and an art. When it is not done well, employees may leave reviews with diminished Engagement. This feeling could decrease their motivation to hone their skills or increase their motivation to take their skills elsewhere. Additionally, the link to Capabilities is also often sacrificed in the zeal to create Alignment. Managers are often so focused on goals and gaps that they do not provide sufficient time to coach their people. They are quick to focus on alignment gaps, but not on development ones.

In a review of 150 departments from a Metrus Institute global database, managers that provide constructive feedback have both higher Capabilities and Engagement ratings from their employees.[4] In a second study of 11 companies that included 5000 employees, Seibert reports that when employees strongly agreed that their managers provided ongoing coaching and feedback to help them succeed, 93% reported a willingness to put in additional effort when needed, compared to only 33% of those who reported poor coaching and feedback (Seibert, 2013).

For performance management to work, there needs to be some benefit to the individual. Without a clear linkage to rewards—whether it's the baseline "you get to keep your job," getting a large bonus or great recognition—it can be difficult if not impossible to motivate an employee to address gaps or make developmental investments (McGinty & Hanke, 1989; Schiemann, 2009a).

Retention. The top 5–10% of talent is highly sought after, yet retention of top performers in pivotal jobs[5] (Boudreau & Ramstad, 2007; Cascio & Boudreau, 2011) is a significant challenge for many organizations. It is often assumed that most departing employees are leaving because of issues with their supervisors. However, in many situations, other factors are at play. In a retail organization, we found that training was the leading cause of turnover due to feelings of insufficient capabilities to deal with customers, and the related stress that this caused. In other situations, alignment factors, such as performance-reward disconnects or mismatched values, were the culprits. While some are under the control of the immediate manager or coach, others are tied to policies, values, resources or senior-leader behaviors. One senior leader of a financial-services firm told me, "It's hard to keep people here when the president refuses to share our strategy and future vision." This is one of the reasons why it is important to measure both ACE and the drivers of ACE. By doing so, it is possible to discover the linkage

[4] Analysis conducted by J. Seibert from the Metrus Institute of scores of employee surveys on both favorability of performance feedback and Capabilities and Engagement scores. Managers who were rated in the top quartile on providing good coaching and feedback had 16 percentage point higher Capabilities scores and 18 percentage point higher Engagement scores, compared to bottom quartile managers.

[5] Pivotal jobs are those jobs where improving the quantity or quality of the talent has the greatest impact on organizational success.

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between the drivers, ACE and important outcomes such as turnover of high performers.

Talent recovery. The last stage of the talent lifecycle is recovery. Effective organizations today, such as KPMG, Ernst and Young, Microsoft, McKinsey, Agilent and Waste Management, Inc. are tracking and hoping to recover lost talent in the future or to use their relationships with former employees to attract new talent (Tucker, 2011). If superstars who are highly aligned, capable, and engaged separate from the organization early in their careers, then perhaps they can be attracted back after experiencing life in subsequent employment situations. Maybe the grass was not greener after they departed. In a world of talent scarcity in pivotal or difficult skill areas, organizations have much to gain by creating cultures and processes that increase the probabilities that lost talent may one day be recovered. The ACE framework can be helpful in thinking about this. For example, one global technology services company has focused on this in two ways: better understanding why high 'fit' people leave and then building strong social networks to enable it to keep in touch with members of this alumni group who were prized candidates for rehire. The company abandoned a heavy reliance on the exit interview, instead engaging former employees in focus groups about six months after they had left. The purpose of these sessions is threefold. First, it is to learn why they left and what factors might be controllable in order to reduce turnover among high performers in the future. Often, one or more ACE drivers are the primary cause. Second, executives in the company are gathering useful intelligence regarding the factors making other companies attractive places for hiring; conversely, they are also learning what makes their organization distinctly attractive. Finally, they are beginning to build a bridge for the future. Departing employees may find the grass is not greener in the new organization and return in the future, or they may refer great potential talent to their former employer. In the example above, the organization found that while its rewards Alignment—pay for performance—was subpar, its investment in Capabilities was almost always superior. This was something that it could leverage in the future.

Leadership. People leaders—immediate managers or coaches—are in a pivotal position to optimize people investments. And yet, less than 20% of employees report high Alignment, Capabilities, and Engagement within the units in which they work.[6] According to Jerry Seibert, who heads the Metrus Institute database that tracks ACE scores across a large array of industries and countries, "many leaders manage units with ACE scores well below 50% favorable. Such low scores have repeatedly led to sub-optimized performance, lower customer loyalty, higher customer complaints, and higher loss of top performers." If a leader doesn't have people who are aligned with the goals and vision, have effective competencies and are engaged in the tasks at hand, isn't something wrong? Is that leader the right person for a job that requires talent optimization? Table 1 displays the eight distinct profiles that are possible; only the first one is optimal. Each of the others has a negative impact on the organization and the individual. For example:

- In the profile labeled "strategic disconnect," something has gone awry in the connection to goals—perhaps the company direction is cloudy or goals have not been set clearly; or it could be that every unit is competing rather than cooperating to achieve overall goals.
- In the "under-equipped" profile, skills, teamwork, information or resources may be insufficient to meet customer expectations.

Table 1
ACE profiles.

Alignment	Capabilities	Engagement	Profile	
↑	↑	↑	Optimized Talent	
↓	↓	↑	Misguided Enthusiasm	Sub-Optimization
↓	↑	↑	Strategic Disconnect	
↑	↓	↑	Under Equipped	
↑	↑	↓	Disengaged	
↑	↓	↓	Unable/Unwilling	
↓	↑	↓	Wasted Talent	
↓	↓	↓	High Risk	

↑ High ↓ Low

- In the "disengaged" profile, certain factors are holding the employee back from giving 100%. It could be satisfaction drivers such as unfair treatment, poor pay and benefits, or working conditions that are holding engagement back, or it may be commitment or advocacy drivers such as lack of recognition or growth and development opportunities that are missing. In either case, employees are not motivated to go beyond basic performance.

We have discovered that ACE is a helpful framework for coordinating the entire talent lifecycle (Schiemann, 2009b, 2012). For many organizations, coordination and communication across different stages of the talent lifecycle is a serious challenge. One global telecommunications firm excelled in many stages of the talent lifecycle: State-of-the-art recruiting strategies, well-validated selection tools, technologically enabled on-boarding, top-notch training, sophisticated performance management systems and innovative retention strategies. There was only one problem: they were not coordinated around a clear Talent Value Proposition (TVP)[7] (Schiemann, 2012). Values that integrated communications, policies and behaviors across the talent lifecycle were absent. New hires often said, "This is not the organization I thought it would be," or "We talk innovation to our customers and new hires, but we rarely invest much in it." Current employees were often cynical and jaded about the cultural promises in the recruiting literature. People who left often reported a lack of trust because of many inconsistent communications or communications that did not mirror leader behaviors and investments. It is important to have clear oversight of the entire talent lifecycle. Only then, can various parts of the cycle be tweaked and adjusted to optimize the overall process.

6. Measurement challenges

Measurement is highly fragmented in its usage, with too many tactical and insufficient strategic metrics to enable the organization to make key human capital decisions. Furthermore, most organizations have few, if any, leading indicators of important business and talent outcomes, such as loss of key performers, effective knowledge transfer, customer defections, labor organizing, and ethical blowups. The ACE People Equity framework—eminently measureable across different global contexts—serves as a bridge between important

[6] These data from the global Metrus Institute represent employees who report more than 80% favorable scores on all three dimensions of People Equity obtained from scales on an employee survey.

[7] A Talent Value Proposition is a mutually agreed upon set of expectations between employer and employee, such as the level or type of work expected by the organization and the reciprocal level of development expected by the employee.

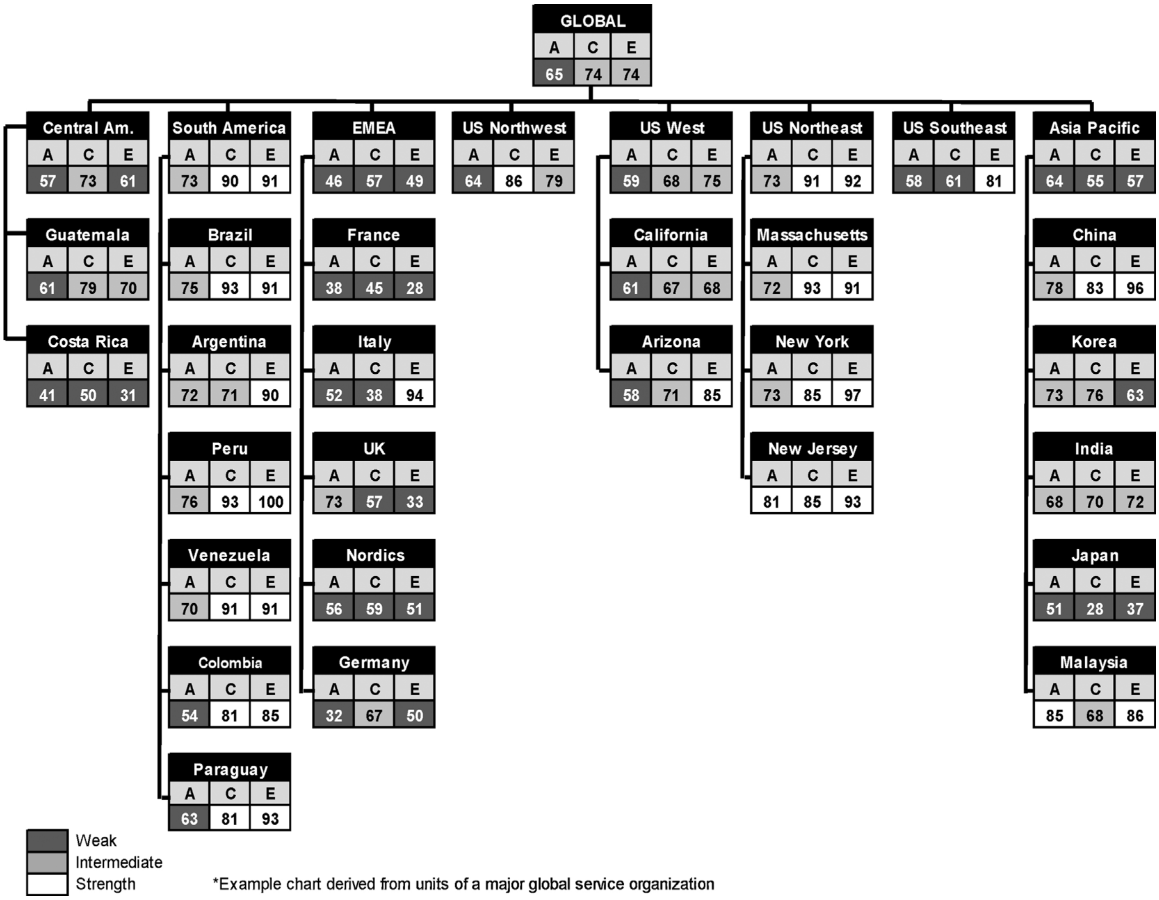

Fig. 2. ACE scorecard example.

individual and business outcomes (turnover, financial performance, quality, productivity, customer retention) and the policies, processes and behaviors that influence ACE.

While Engagement has traditionally been measured with an employee survey, the others two factors have not. After experimenting with a number of approaches, we have discovered that it was indeed possible—even desirable—to measure ACE using a survey methodology with employees or other stakeholders, such as suppliers who are providing talent to the organization (Schiemann, 2009b). Borg, Groenen, Bilsky, Jehn, and Schwartz (2010) have also validated this approach in a global sample. This approach allows one to compare scores on common scales, so that one can assess A relative to C relative to E.

For countries operating in multinational environments, this framework and measurement approach can be a powerful way to understand organizational differences that may reflect both the capabilities and behaviors of leaders in those countries, as well as the unique challenges of those countries that these managers face. Fig. 2 is an example of a profile that summarizes the levels of Alignment, Capabilities, and Engagement, in this case, across major units for a global service organization. By using color coding or shading to represent strong-to-weak ACE scores, patterns within the organizational structure become clear immediately. For example, the US Northeast is turning in some outstanding Engagement and Capabilities scores compared to other regions of the country. What are they doing differently? Can their approach be adapted to other regions?

The Asia-Pacific region, as a whole, has People Equity scores that are middling. The important information, however, lies in the variance within the region. China brings in stellar ACE scores, while Japan is struggling to optimize their talent. It must be stated that these findings are not a universal pattern; we have found organizations in which the patterns of China and Japan are reversed. For this organization, there are likely to be learnings about China's management of Capabilities and Engagement that can serve as good practices elsewhere.

In contrast to Asia, EMEA is a region that is challenged on multiple fronts.[8] While many countries in the region are scoring poorly on talent optimization as indicated by their low ACE scores, some interesting patterns emerge. For example, the U.K. has higher Alignment scores; how are they achieving stronger Alignment perceptions than other EMEA countries? Italy has a unique profile with very strong Engagement scores and weak Alignment and Capabilities scores. This should prompt leaders to investigate why this pattern is occurring. This could be the profile of a new team that is in the 'unfocused enthusiasm' stage of development or it could be an insidious profile of a country silo in which there is enormous loyalty to the country leader, but low alignment with the overall organization. Furthermore, this leader may well have starved his unit of the resources or skills they need to meet customer requirements—a potential symptom of the low Capabilities score.

The answers to these questions can be ascertained through qualitative interviews or focus groups. However, if ACE is being obtained through a survey instrument, as in the case of this organization, there is also potential explanatory power from additional items in the survey that measure *Drivers* of Alignment,

[8] These data represent one company and are not indicative of the general results of these countries or regions.

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Capabilities and Engagement. These are items that have explanatory power of why A, C, or E are high or low (Schiemann, 2009b; Schiemann et al., 2013). Furthermore, the Drivers of low A, C, or E may be different for different regions or countries, but that is readily discoverable through statistical analysis. Low Engagement may be a result of poor growth opportunities in one country, but driven by poor communication practices in another. This information not only enables global leaders to understand management practices better, but also to understand why talent is being optimized or not in different regions. This information then allows them to target resources to different solutions—coaching, skills, performance management, rewards—that are most appropriate for different regions, countries or departments.

Consider one final argument for the use of employee measurement to report on Alignment and Capabilities in addition to Engagement. The perceptions of employees (or other labor sources and suppliers) are a great window into strategy execution. For example, employees can provide interesting insights about customers. Customer-contact employees often can serve as a mirror of customer concerns and satisfaction when their ratings are calibrated with those of customers. By measuring new hires as they move through onboarding and acculturation, and comparing their views with established employees, it is possible to gain key insights into the employer brand and how well the organization acculturates new members. Or, employees can provide insights into innovation if that is a strategic priority—how ideas are (or are not) generated, developed and implemented.

7. Managerial relevance

Human capital is an increasingly costly resource for most organizations around the globe and one that is central to achieving the mission and goals of the organization. This article focused on how to optimize human capital investments by thinking about how the organization manages the entire talent lifecycle—from talent attraction to recycling of talent in the future, by maximizing three critical drivers of overall company performance—Alignment, Capabilities, and Engagement of people, and by having the right measures in place to understand, focus, develop, and leverage human capital resources. Here are a few key recommendations:

- Define talent broadly. Talent is the collective knowledge, skills, abilities, experiences, values, habits and behaviors of all labor that is brought to bear on achieving the organization's mission. Global organizations in particular face the challenge of capturing the breadth of such talent in ways that allow them both to understand and to manage it. Thinking about talent broadly will allow managers to determine if they are making the right talent investments and reaping the associated rewards.
- Think talent optimization rather than talent management. Think about the full talent lifecycle that needs to be managed. This is a particular challenge for organizations operating in different countries or cultures because of the increased complexity and the need to balance local versus system-wide objectives. Recommend one leader or team that is responsible for overseeing the entire talent lifecycle. By doing so, it is less likely that managers will sub-optimize talent by maximizing each talent stage or process. Country or functional silos that manage different aspects of the talent lifecycle can kill overall effectiveness. Make sure that these leaders have the authority to break through silos that create incongruity across the talent lifecycle.
- Use a global talent-optimization framework, such as ACE, that can serve as a surrogate for talent optimization, and help to pinpoint where talent investments should be made (e.g., targeted managerial skills or training) and processes, structure or policies changed. Whatever framework is used, it should provide a bridge between important organizational outcomes such as turnover, customer loyalty and financial performance and investments in human capital (e.g., performance management, hiring approaches, leader development). Take steps to measure the effectiveness of various stages of the talent lifecycle as well as its overall impact.
- Eschew lots of tactical metrics that only serve to confuse decisions. Use more strategic measures to prioritize where talent investments should be accelerated or reduced.
- Looking through an ACE lens enables us to see many of the potential disconnects or areas of misalignment in our talent processes that span the talent lifecycle, resulting in sub-optimized talent and organizational outcomes. Periodically conduct an audit of the talent lifecycle, looking for interconnection gaps and inconsistencies with an organization's talent brand and strategy.[9]

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