TALENT BROKERAGE: BAZAAR OR STOCK EXCHANGE?

The art of matching talents and positions

& undconsorten

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Matching talents to positions lies at the very heart of talent management. To be effective, companies need to know the true nature and value of the talent as well as of the positions within their organization. They also need the right mix of tools for the job.

In our many years of experience in the field of talent management, we have observed one pattern emerging time and again: Some companies sow but they don't harvest. They recruit good people and invest in them, but then fail to close the deal by not putting their most talented people in key positions in the company. This is a real pity, as best practice cases show that the potential return on successful talent brokerage is huge. First of all, it ensures that the company's future is in capable hands. Second, it builds a foundation for keeping the best talent within the company – people with ambition tend to go looking elsewhere if they don't find the challenging opportunities they want internally. And third, it can save significant sums on employing external executive search professionals and opportunity costs of pending vacancies.

Successful talent brokerage is neither a bazaar nor a stock exchange. It is not based on connections and personal relationships, where goods are sold or exchanged in a barter-like process. Nor is it an automatic stock-market-like process based on abstract figures. Rather, it is a delicate mixture of personal interactions and formalized abstractions. In this paper, we give an overview of the challenges involved, the building blocks of successful talent brokerage and its effective organization. We also present a four-step approach for companies to set up or optimize a talent brokerage system and offer advice on getting the ball rolling.

BEST PRACTICE EXCHANGE TALENT BROKERAGE

We would like to thank the 25 companies who participated in our exchange on talent brokerage: Bayer, Bearing Point, Bertelsmann, BMW, Deutsche Bank, Deutsche Post DHL, Deutsche Telekom, eBay, E.ON, Henkel, IBM, L'Oréal, Morgan Stanley, Nestlé, Novartis, Philips, RWE, SAP, Shell, Siemens, ThyssenKrupp, Time Warner, Vattenfall, Vodafone and Volkswagen. We are also grateful to the six executive search companies who provided additional insights into their side of the business: Capitalent, Civitas, Egon Zehnder, Heads!, KornFerry and Salmon.

We want to extend special thanks to Bertelsmann, namely Hays Steilberg, Senior Vice President Management Development, for hosting the "Talent Brokerage Round Table" in Berlin and for the intensive and constructive cooperation.

THE CHALLENGES OF TALENT BROKERAGE

To reap the full benefits of talent brokerage, companies need to overcome a number of challenges. In many ways, these resemble the real-world challenges facing the neo-classical economists' perfect market paradigm: a lack of transparency, short-sighted participants and unstable markets.

LACK OF DATA TRANSPARENCY AND DATA QUALITY

One of the most frequent complaints of talent managers and talent brokers in complex organizations concerns the lack of transparency and quality with regard to data. This potentially creates a number of problems:

- In some cases, transparency is lacking about the vacancies themselves. Target groups are ill-defined and reporting is viewed as a nuisance. Often this goes hand-in-hand with a lack of knowledge about positions in the company as a whole.

- Job descriptions are inadequate and there is a lack of comparability between positions. The cause is usually missing information about grades, competencies, skills and compensation levels, or data that are not oriented toward the appointment process.

- The data about talent are inaccurate or incomplete. The company lacks a standard definition of what talent is, or has unreliable performance/potential evaluations – usually due to some managers unwillingness to rank anyone as anything other than average. Other shortcomings such as inconsistent filing may also play a role.

- Effective software is missing. Search functions are weak and may not be integrated into the overall talent management system, creating interface problems.

SHORT-SIGHTED PARTICIPANTS

Talent brokerage can deliver huge gains for the company as a whole. On a local level, however, there will be winners and losers. Individual managers may lose their best performer to another division, while others gain a high performer. Immobile employees may need to be sent abroad so the company can develop its international general management. Tensions arise from the very nature of the stakeholders' agenda:

- *Supervisors* want to develop the talents they supervise and secure the best candidates company-wide possible for vacant positions. At the same time, they may well want to keep their most talented people for themselves and act as "kingmakers".

- *Local HR* departments want support from the corporate center to find the best candidates for jobs. But they, too, potentially want to keep the best people for themselves and act as gatekeepers for talent in their divisions.

- *Top performers* want to climb the career ladder and gain experience in different parts of the company. But they may be afraid of seeming disloyal

if they volunteer to change from one division, business unit or department to another. Others claim to be mobile but in reality are anything but.

- *The Board* and *corporate center* want the right people in the right places at the right time. But individual Board members may fear making unpopular decisions or creating conflict.

In addition to these stakeholder issues, differences may arise between business units with regard to appointment criteria, compensation levels and attitudes.

UNSTABLE MARKETS

The market for talent appears to swing back and forth like a pendulum, between extremes of excess demand and oversupply. But if one takes a closer look at what seems to be a time of talent surplus, one gets a much more complex picture:

In times of slow or negative growth, blocked career funnels lead to retention issues among talented individuals with high aspirations, frustrated at their lack of options. Moreover, when positions are scarce and there appears to be a surplus of talent, high performers tend to value security more than climbing the career ladder, and personal mobility takes a nose dive. Also, talent continues to be in short supply in growing markets such as China. Top talent for general management and critical expert roles is also lacking in Europe. In many countries, this situation is exacerbated by demographic change. The result? Talent brokerage and tools such as career planning, talent demand and supply planning and expat management are more important than ever.

Exhibit 1: A number of building blocks are required to establish a functioning talent market
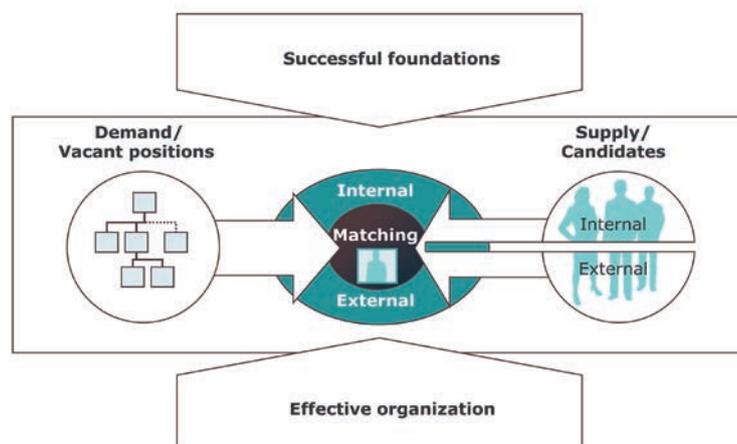
BUILDING BLOCKS OF SUCCESSFUL TALENT BROKERAGE

To establish a functioning market for talent, a number of building blocks are required, as shown in Exhibit 1.

FOUNDATIONS: DEFINING THE CURRENCY OF TALENT BROKERAGE

As stated above, difficulties often arise with regard to the transparency and quality of data. Frequently the problem is a lack of standards regarding positions and talent. Such standards need to be clearly defined: like currencies in a market, they are the foundation upon which the system is built.

Defining talent is a strategic matter. The entire company must ensure that all talent within the organization is identified and evaluated correctly. Many companies use corporate-wide development centers for top management talent in order to do so. This way management development gets to know the top performers personally, can evaluate them as possible future leaders of the company, let them know what is expected of them and decide who should ultimately be included in the company-wide top talent pool. Instead of having the candidates for the development centers solely appointed by corporate, an intriguing variation is to use competing channels for application. Thus supervisors, talent scouts, board members and colleagues have a right to suggest candidates for the development center. Thus it becomes even more obvious, where management fails to identify talent.
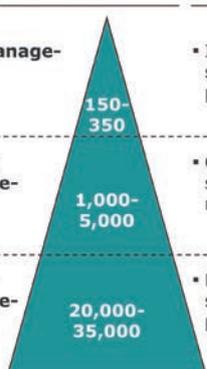
Companies can benefit from introducing standardized management potential and performance evaluations and setting up functional databases throughout the organization. They can optimize evaluations by gearing them toward demand from the appointment process. They can also implement distribution guidelines and training for managers responsible for rating individuals. In addition, they can validate evaluations in company-wide committees, thereby guaranteeing comparable data of different businesses. The databases should enable easy storage of this data, along with additional documents such as résumés, and allow full text searches and filtering for specific skills and competencies.

ACHIEVING THE RIGHT MIX OF PLANNING AND AD HOC SEARCHES

Academics and practitioners have suggested that there is a dichotomy between searching and planning. Some have even gone as far as to say that planning on an individual basis no longer makes sense. We believe that this is overstating the case. The key to successful talent brokerage is finding the right mixture of planning and ad hoc search instruments for every target group. In our experience, a tailored approach that fits the company's needs in terms of its culture, stability and the homogeneity of its business activities represents the optimal solution.

Exhibit 2 shows a typical mix of instruments as used by best practice companies. The precise combination used to match talent to positions depends on the level of management, its volume and importance.

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Exhibit 2: The use of different instruments depends on the level of management, volume and importance

| Management level | Commonly used tools | | |
	Succession management	Internal search	Internal market platforms
Top management (150-350)	• Individual succession planning	• Central appointment process	• Closed application platform (rare)
Middle management (1,000-5,000)	• Cluster-based succession management	• Internal search service	• Regulated market platform
Lower management (20,000-35,000)	• Decentralized succession planning (if at all)	• Decentralized staffing processes	• Self-service market platform

Preparing for the future: Succession planning

There are two basic modes of succession planning: individual and cluster-based. *Individual succession planning* is used where a limited number of appointments are involved and strategic thinking is needed at the level of individuals. The company identifies successors for positions, decides when they will be ready and how they can be developed into the positions. Individual succession planning also takes place where a company plans the next career steps for high potentials on their journey to becoming members of top management.

Individual succession planning has an almost therapeutic effect. Thinking about concrete moves serves as a reality check for performance and potential evaluations and how leadership and talent is defined in the company. Also, when actual positions are considered, development needs become clearer and the company begins planning for the future.

Individual succession planning involves considerable investment of resources. As a result, it is typically only used for top management. However, in stable businesses and on a local level it may be used for the entire management.

Cluster-based succession planning is based on clearly defined job families. Here, the positions and required skills are largely interchangeable. Job families are divided up on the basis of hierarchy, level of expertise and function. In this way, the company supervises internal and/or external supply and demand, identifying critical job families and deriving implications for recruitment and development. Typically, companies use this tool for middle and lower management, sometimes even for the entire workforce.

Reacting to staffing needs as they occur: Internal search instruments

The most common variation on the internal search instruments used for top management is the *mandatory internal appointment process*. Here, a corporate unit supervises all the contracts, appointments and onboarding processes, the Board often being involved in every decision. The unit comes up with a choice of candidates, many of them drawn from the succession planning process, some counterintuitive internal candidates and a few external choices. For example, one conglomerate in our survey defines around 500 key positions. These positions are supervised by the Management Development unit, which gives them ownership of the appointment process. Every vacancy in the target group is reported. This guarantees a company-wide perspective, while recruitment management and local HR organizations are still involved and their candidates considered. Ultimately the Board is involved in every decision, while the hiring manager has the final say.

A variation on company-wide searches commonly used for middle management is the *appointment committee*. Here, HR and occasionally line management from different regions or businesses meet regularly to share information about vacant positions and match them with high potentials within the company. For example, talent managers specializing in a single function in more than one unit work together to ensure that the company perspective is taken into account, while talent managers specializing in different functions within a single unit work together to ensure a cross-functional perspective. The approach is based strongly on people and cooperation; it is most common in companies with a strong "one company" culture and implicit, rather than explicit, regulations.

Finally, there is the *internal search service*. Here, an internal unit searches within a firm for possible candidates for a specific position, much like an external headhunter. Unlike external executive search professionals, however, the internal unit works for the greater good of the company. The different businesses can argue their case – why a talent should not be relocated, say – and development needs can be taken into account. In one of the companies we spoke to, the internal search service draws up a long list for vacancies in middle management within three days on average. A small specialized team that has in-depth knowledge of the company, an excellent network on the ground, access to the complete talent database and a fully integrated search engine generates a ranking of around six candidates, including résumés, that it sends to the hiring manager. This ranking is similar to the client-friendly list a manager would receive from an external headhunter.

Search options for employees and hiring managers: Market platforms

Market platforms allow the proactive involvement of employees and management. They take a number of forms:

- In *open job markets*, anyone can apply for the positions posted. Many companies make it mandatory to post positions internally before looking externally. One company in our survey calls this the "internal mobility period".

- In *specialized market platforms*, a specific profile is shared throughout the company. One IT provider built up a pool of IT specialists who were suitable

for project work, for instance. The company then provided a platform for these specialists to register and edit their profiles, and search and apply for interesting projects. The hiring managers could also search the database.

● In *talent pool platforms*, the high performers themselves are invited to register. One company has an open talent pool that can be searched by everyone. In this rather extreme example, the sole restriction is that searchers can only access the profiles of people below them in the hierarchy.

Saving money on external searches

Today's companies are managing headhunting activities for external management candidates more actively than in the past. Saving money is not the only reason for this: Often there are complaints about the quality and cultural fit of external candidates. Many companies have introduced quality management for headhunters, including framework contracts, active monitoring and consequence management. In some cases, they have started doing the job themselves – a trend that began in the United States and has now reached Europe. Insourcing headhunting can deliver impressive savings: One company in our survey reduced external headhunting activities by almost 60%, while another saved around USD 100 million over ten years.

ORGANIZING TALENT BROKERAGE

Organizing talent brokerage effectively is the key to creating functioning talent markets. The key levers, as shown in Exhibit 3, are clarifying roles and responsibilities, building an effective system of guidelines and incentives, providing robust systems and IT support and instituting efficient controlling activities.

Exhibit 3: Organizing talent brokerage effectively is the key to creating functioning talent markets
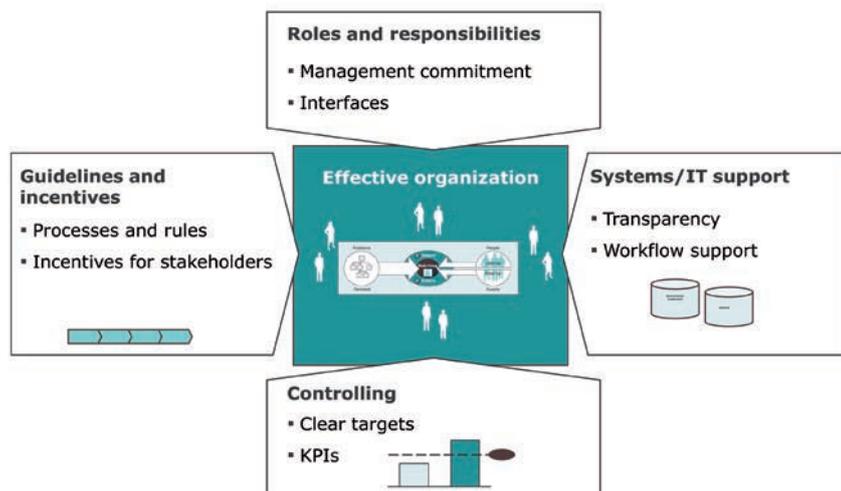
DEFINING ROLES AND RESPONSIBILITIES: WHO SHOULD DO WHAT?

Talent brokerage requires input from many different parties: the Board, central and local HR units, managers, and the candidates themselves. Commitment from top management is essential, putting talent brokerage high on the agenda and giving it the weight it deserves. The *Board* mandates the talent broker to act in the interests of the company. It also serves as the highest level of escalation if disputes arise over appointments. The Board also sets strategic targets for appointments in terms of international experience, diversity and leadership standards.

Hiring managers need to register vacancies in the target group to broaden the perspective to include the entire company. As supervisors they are responsible for identifying talent and developing it, even where this means letting the best people leave their department.

Central HR usually owns the process of talent brokerage. This ownership brings with it a number of duties. First of all, central HR must have an in-depth knowledge of the target group, created by talent scouting, fostering talent pools, developing business knowledge and building an excellent network on the ground. As well as matching talent to positions, central HR must monitor the fulfillment of targets. Central HR also has an obligation to cooperate with local HR and vice versa. *Local HR* must generate transparency over talent, creating the foundation for the work of the talent brokerage unit.

Talented individuals within the company also have responsibilities. They must invest in their own career with commitment and flexibility. They must also manage their own development objectives once they have been granted the chance of a challenging job opportunity.

CARROTS AND STICKS: INCENTIVES AND GUIDELINES

As we have seen, individuals and departments may have different agenda that conflict with the interests of the company. Exhibit 4 shows the commonest conflicts and how some companies deal with them. The solutions lay out the process steps that must be followed and the escalation mechanisms that are used if they are violated. They include creative solutions, such as the service model. Here, rather than it being mandatory to register vacancies, the work of the talent brokerage unit is steered by demand from line management and local HR departments. This approach puts talent brokers under pressure to provide high-quality services and to market themselves effectively.

Exhibit 4: Typical conflicts and common solutions in the appointment process

Process	Conflicts	Solutions (examples)
Appointment request	• Divisions want to make appointments without involving corporate center • Divisions don't want to lose ownership of the process	• Obligation to register vacancies in a clearly defined target group • Appointment assistance offered as a service for HR and line management
Search/ long list	• Managers and divisions are afraid that their talent will be poached • Candidates are afraid they will be stigmatized if they enter the process	• Hiring manager contacts current supervisor directly to negotiate a transition • Corporate center contacts head of the operating unit or direct supervisor with regard to contacting the candidate • Corporate center can contact any candidate directly • Supervisor is not informed until the candidate is shortlisted and with the approval of the candidate
Short list	• Businesses want to class some candidates as "off limit"	• Board must approve classing anyone "off limit" • Only candidates who are less than two years in the job can be classed as "off limit"
Appointment/ onboarding	• Different stakeholders want to decide about the appointment • Managers and divisions don't want to let their best people go	• Appointment committee (often Board) makes the decision • Direct supervisor decides, but Board has right to veto • Mediator helps find a solution in cross-divisional appointments • Financial counteroffers by the current department are not permitted

Various push and pull mechanisms bring liquidity into the talent market. One company in our survey has "people targets" account for 20% of target agreements, such promoting the development of talents via cross-unit job rotation. In another company, typical career paths and policies such as the "triple two" – two functions, two regions, two divisions – make it clear to candidates what is expected of them, as well as guiding appointment deci-sions.

DEALING WITH VOLUME AND COMPLEXITY: IT NEEDED

IT solutions play an important role in talent brokerage. Tools are needed for a range of applications: databases, searches, exchange platforms, process management, controlling and so on. One of the best examples in the companies we surveyed was a fully integrated solution with automated KPI reporting and a standardized long list. Several companies have search tools that are able to carry out full text searches in all documents, including individuals' résumés – and those that lacked this capability lamented the fact. Some companies allow individuals to update their records themselves. One way to create transparency is to open up parts of the talent database and search engines to management so that they can look for possible candidates themselves, the talent brokerage unit retaining overall ownership of the process.

Our recent market analysis has shown, that some software solutions used by executive search professionals are highly interesting for matching processes in corporations as well. Nevertheless there are companies that are happy with self-made tools based on Excel and Access. These companies usually have in common that they have centralized structures and very limited target groups.

Exhibit 5: Talent brokerage score card – example

Process excellence	Target
▪ Time to hire ▪ Time to draw up long list ▪ Proportion of vacancies filled with candidates from succession planning	▪ 49 days ▪ 72 h. ▪ 60%

Impact on strategic goals	Target
▪ Internal appointment ratio ▪ Cross-divisional, cross-regional or cross-functional appointm'ts ▪ Diversity (women, different nationalities, etc.) ▪ Time on job before appointm't	▪ 80% ▪ 30% ▪ 40% ▪ 3-4 y.

Talent management in general	Target
▪ Talent ratio ▪ Successors per key position (excl. double nominations)	▪ 15% ▪ 2

Customer satisfaction	Target
▪ Satisfaction of hiring manager/ candidate with process ▪ Satisfaction of hiring manager/ candidate with appointment after one year	▪ 80% ▪ 100%

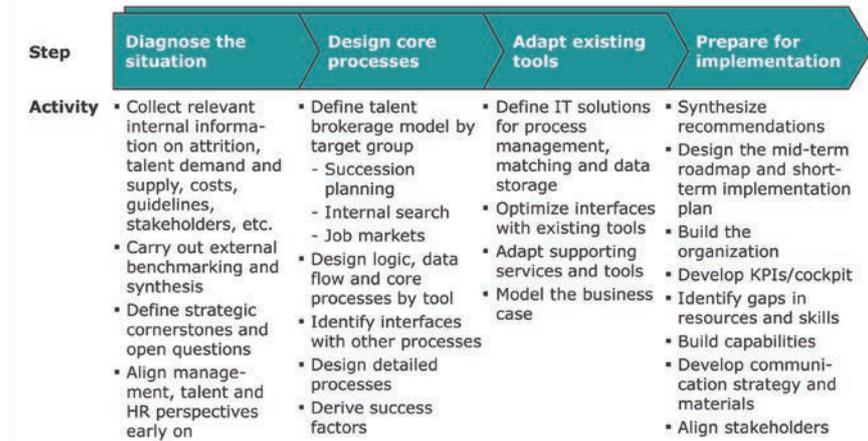## FOCUSING ON OUTCOMES: KPIS, CONTROLLING AND CUSTOMER ORIENTATION

Internal talent brokerage units require KPIs and controlling, not just to measure their performance but to improve service quality, safeguard corporate interests and demonstrate the value that talent brokerage creates for the company. Ultimately this raises the status of talent brokerage within the company. Exhibit 5 gives an example of a "balanced score card" for measuring the performance of talent brokerage units.

Internal talent brokerage units can learn a lot from external executive search providers. Most headhunters will give you a very clear idea of what you can expect and how long it will take, presented in a customer-friendly manner. Internal talent brokerage must be able to live up to the standards set by the industry.

GETTING THE BALL ROLLING

We have developed a four-step approach to help companies set up or optimize their talent brokerage system, as shown in Exhibit 6. This approach interconnects content development with the development of skills and mindsets. We also identify a number of important lessons learned by companies who have gone down this road – potential wins to be harvested as well as pitfalls to be avoided. We discuss them in turn below.

Exhibit 6: Four-step approach to optimizing talent brokerage

Step	Diagnose the situation	Design core processes	Adapt existing tools	Prepare for implementation

Activity	▪ Collect relevant internal information on attrition, talent demand and supply, costs, guidelines, stakeholders, etc.
	 ▪ Carry out external benchmarking and synthesis
	 ▪ Define strategic cornerstones and open questions
	 ▪ Align management, talent and HR perspectives early on
		▪ Define talent brokerage model by target group
		   – Succession planning
		   – Internal search
		   – Job markets
		 ▪ Design logic, data flow and core processes by tool
		 ▪ Identify interfaces with other processes
		 ▪ Design detailed processes
		 ▪ Derive success factors
			▪ Define IT solutions for process management, matching and data storage
			 ▪ Optimize interfaces with existing tools
			 ▪ Adapt supporting services and tools
			 ▪ Model the business case
				▪ Synthesize recommendations
				 ▪ Design the mid-term roadmap and short-term implementation plan
				 ▪ Build the organization
				 ▪ Develop KPIs/cockpit
				 ▪ Identify gaps in resources and skills
				 ▪ Build capabilities
				 ▪ Develop communication strategy and materials
				 ▪ Align stakeholders

GET EVERYONE ON BOARD

Early alignment with the rest of the organization is the key to successful implementation later on. The first task is to state the case for action. Communication with all stakeholders is essential, involving everyone in the design process. Despite the inherent tensions, this approach makes for better solutions in the long run and ensures ownership of the concept. The process can be eased by customizing the communication materials for the target audience.

ENSURE THE CORE PROCESSES ARE ROBUST

Core processes are not there to win beauty contests: above all, they must be functional and robust. Experience shows that one good integrated solution for the whole talent brokerage process is often better than perfect solutions for individual aspects. The core processes should allow enough room for individual, person-based solutions where necessary. Moreover, the target group must be big enough to generate enough business – ensuring economies of scale and enough choices for appointments – yet specific enough to allow specialization.

BUILD THE NECESSARY SKILLS

When preparing for implementation, transparency is the key to successful talent brokerage. Companies should not exclusively rely on their databases. Like headhunters, they should draw on all available channels – people networks, established procedures and processes, databases, systematic talent grooming and so on. Searching for candidates and making appointments is more craft than science. Skills such as search strategies and interviewing techniques can and must be learned. One such skill is the ability to say "no" – for example, where the chances of success are low. Turning down such requests helps the talent broker's reputation and saves valuable resources.

SUCCESS STORIES IN TALENT BROKERAGE

Talent brokerage has much to offer, as the following examples drawn from our experience show:

- By putting talent management at the top of the company's agenda, the CEO of an energy company managed to double the rate of vacancies filled through succession planning within five years.

- One company achieved an almost 50% success rate for appointments using its internal search service after just one year.

- Another company reduced the number of external headhunter assignments by almost 60% by insourcing and managing headhunter activities.

- Another company again was able to double its internal appointment rate in line with its general strategy.

* * *

We believe that there are convincing reasons for companies to set up or optimize their systems of talent brokerage. Now more than ever, as the economy recovers from crisis and the competition for talent heats up again, talent brokerage can provide a significant upside for companies.

About the authors:
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