HR MANAGEMENT

Critical Issues in HR Drive 2006 Priorities: #1 Is Talent Management

We recently asked HR professionals to tell us about the most critical issues they will face in the next six to 12 months. The results of IOMA's *HR Critical Issues Survey* indicate they will be busy with a number of initiatives.

Talent management was by far the top issue, identified by nearly three-quarters of the 231 respondents. Comments about attracting, hiring, retaining, training, and developing employees, as well as the problem of succession planning, are below. It is clear that this topic will be a long-range project for HR professionals and other senior executives.

The responses discussed concern HR topics that do not include benefits, compensation, and 401(k) plans, but IOMA did collect data about the separate issues affecting those "sub-areas" of HR. Highlights of the findings are in the three accompanying figures.

TOP CRITICAL ISSUES

We asked respondents to identify their top five issues; then we tabulated the number of responses received for each issue. The leading issues:

1. Talent management, including staff retention and development and succession planning: 74.2%.

2. Employee engagement and enhanced productivity (that is, how to get more from current employees): 60.7%.

3. Leadership training and development at all levels of the organization: 59.8%.

4. Using technology for efficiencies, cost savings, and better HR operations: 55%.

5. How HR can become more strategic when there is corporate resistance, and how to define "strategic" within the individual organization's parameters and business goals: 45%.

6. Developing and implementing the "right" HR metrics to provide information required by corporate leaders about human capital management's contribution to the business: 44.5%.

7. Cost control (including dealing with HR department staff reductions, centralizing HR functions, and outsourcing): 35.8%.

8. Integrating HR functions, including general HR, benefits, compensation, payroll, safety, etc., for maximum productivity: 31.4%.

9. Compliance with federal, state, and local laws (including the FLSA, the ADA, workers compensation, etc.): 30.1%

10. Automated hiring functions, including applications and testing: 20.5%.

COMMENTS ON THE ISSUES

We asked respondents to discuss why the issues they cited are critical to their organizations, as well as the priority in addressing them. Here are comments about key issues from survey respondents:

● **Talent management.** In addition to being ranked as a top issue by so many respondents, this subject drew the most comments.

"Talent management is critical and has the most importance due to its direct impact [on] the profitability and future growth of the business," wrote a regional HR manager. "Creating and using proper metrics is a unique challenge to every business. When approached properly, HR can show the impact each employee has on a business, both positive and negative."

Succession is another driver that is making talent management such a crucial issue right now. Talent management is "critical because many of the

top leaders are or will be retiring and it is too expensive to continually hire persons from outside the organization," noted a university training officer.

"We also want current employees to take more ownership of their work and to develop more innovative [and] efficient and less expensive ways of completing their job tasks. [Talent management is] also critical because we are increasingly facing more competition for our 'customers.' Priority: HR being seen as a strategic partner, implementing HR metrics, and integrating HR functions for maximum productivity."

New and upcoming shortages of qualified employees is another reason that HR is focusing on talent. "The job market is becoming a scary place," said an office manager. "I believe that the numbers of qualified candidates are greatly reduced to the numbers we've been used to since 2000. It is critical that we find the *best* ways to attract, retain, and develop top quality candidates."

Retention was most on the mind of this human resources coordinator: "Staff retention is important especially when there is downsizing within the organization. We, as an HR department, are trying our best to hold onto those employees that have toughed it out and to keep them happy and productive. The integration of HR functions is one that we as an organization are working on currently and have had many successes, which leads me to believe that it is our greatest priority currently."

Hiring shortages and the related need to get current employees to fulfill more roles headed the list of issues for this HR project manager: "Our business has been experiencing tremendous growth resulting in a lot of needed overtime. We have difficulty finding highly skilled production employees, and as such the need to develop and train existing employees beyond our normal development plans is heightened."
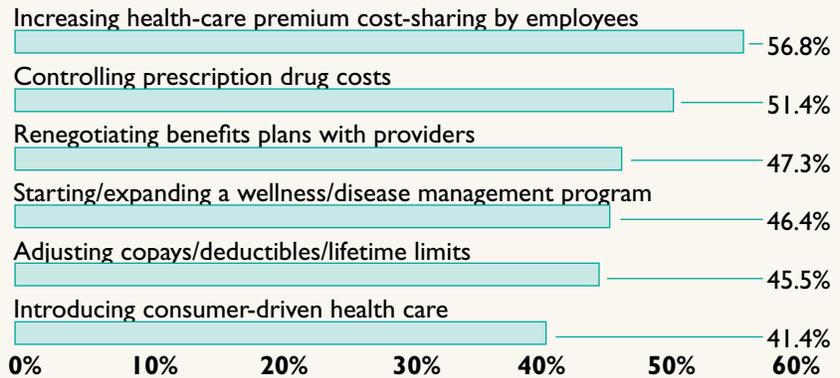
● **Leadership training and development.** Although this issue is a subset of talent management, a number of respondents singled it out for comment as a separate matter.

"The issues are critical because they directly impact the business's ability to provide superior service consistently within budget constraints," explained a human resources manager. "Priority issues are leadership training/development, talent management, and succession planning."
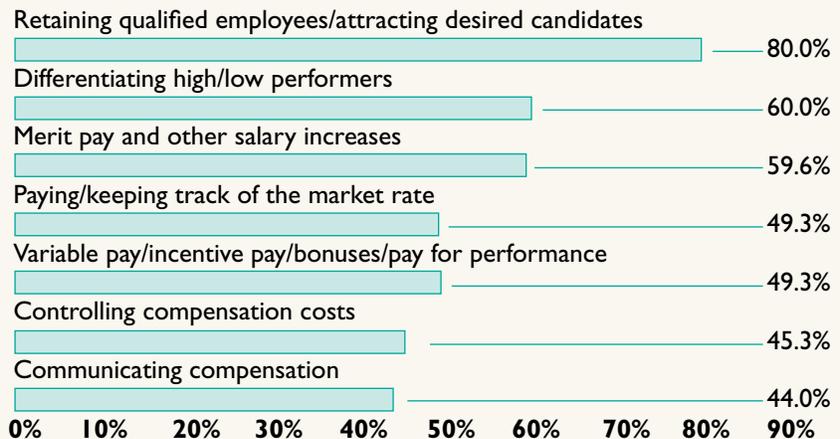
Another reason to stress leadership:
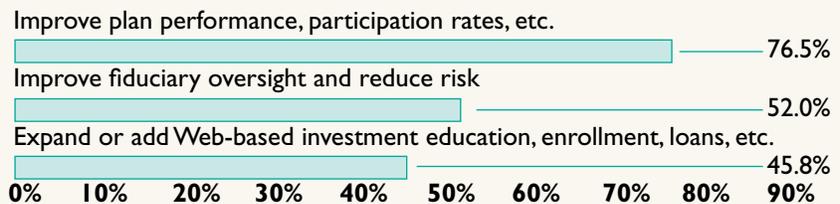
Figure 1. Most Critical Benefits Issues*

Increasing health-care premium cost-sharing by employees — 56.8%
Controlling prescription drug costs — 51.4%
Renegotiating benefits plans with providers — 47.3%
Starting/expanding a wellness/disease management program — 46.4%
Adjusting copays/deductibles/lifetime limits — 45.5%
Introducing consumer-driven health care — 41.4%

0% 10% 20% 30% 40% 50% 60%

*Multiple responses were submitted by survey respondents

Figure 2. Most Critical Compensation Issues*

Retaining qualified employees/attracting desired candidates — 80.0%
Differentiating high/low performers — 60.0%
Merit pay and other salary increases — 59.6%
Paying/keeping track of the market rate — 49.3%
Variable pay/incentive pay/bonuses/pay for performance — 49.3%
Controlling compensation costs — 45.3%
Communicating compensation — 44.0%

0% 10% 20% 30% 40% 50% 60% 70% 80% 90%

*Multiple responses were submitted by survey respondents

Figure 3. Most Critical 401(k) Plan Issues*

Improve plan performance, participation rates, etc. — 76.5%
Improve fiduciary oversight and reduce risk — 52.0%
Expand or add Web-based investment education, enrollment, loans, etc. — 45.8%

0% 10% 20% 30% 40% 50% 60% 70% 80% 90%

*Multiple responses were submitted by survey respondents

(Source for all figures: IOMA's *HR Critical Issues Survey*)

"Leadership training and development is critical becausee it is the only way the entire organization can move in the same direction," wrote a consultant. "Metrics is basic to measure the effectiveness of the organization."

● **Employee engagement and enhanced productivity** are this year's "other" hot topics—discussed at every HR conference and meeting—although there are few hard-and-fast answers about how to succeed at engaging employees and obtaining the related productivity. Many respondents wrote that they consider this to be a key issue, but are at a loss on how to motivate workers when it is getting more difficult to provide meaningful rewards.

Some suggested strategies included pay for performance, restructuring the organization, focusing on leadership development and talent management, aligning HR with business objectives, and providing support to workers.

● **HR becoming more strategic.** It's no longer just about HR getting a "seat at the table"—strategic HR may be crucial to efforts to save some businesses.

"This is a health-care organization, and the challenges of meeting increasing demands for highest quality services in the face of limited and ever-decreasing resources are monumental," wrote a director of human resources. "As a business is heavily dependent upon its human capital, it is critical (in my mind) that my HR staff work to create the necessary culture change that will allow greater recognition of how poor HR practices result in a significant drain on the bottom line (these are real dollars, folks!) and how good HR practices are fundamental to organizational success."

"At all levels, we are asked to do more with less," wrote another HR director. "We need to achieve buy-in from all levels in order to achieve our goals."

"The critical areas selected by our firm are the areas we can push and create strategic measures from HR and the top down," said an HR generalist. "We have really been focusing on training using executive coaching and moving the same approach to the mid-managers as well to create a succession of leaders. Product is becoming so closely defined that the only edge companies are going to have is their employees."

● **Cost control.** Always a popular subject among HR professionals, cost control continues to be a challenge despite the improved economy in many areas of the U.S.

"Cost control is number one," wrote a human resources generalist. "We had a salary freeze for 2005. Although expanding in the areas of finance and IT, we have not filled positions in other areas. [There are] no monies for education, mileage reimbursement remains at the 2004 level, and we have outsourced all of our claims management."

Benefits costs continue to be a headache, noted another HR professional. "Benefits continue to escalate in cost and expectations continue to grow. We need to manage both cost and expectations." Agreed a director of HR: "Benefits costs are skyrocketing and represent a very large piece of our budget. As a small organization, we have no meaningful ability to negotiate with carriers, so we've practically exhausted all reasonable cost-sharing methods."

A manager was even blunter: "Cost control and improving productivity are key since our company is facing severe cost pressures. We can prove our value only by proving we can improve our existing functions. Since compensation and benefits are among the highest expense items in the company's budget, there is little need to try to be strategic. If we can prove that we can improve our productivity and keep up

the corporate culture, we can survive the outsourcing craze. If we cannot, goodbye job."

● **Legal compliance.** "Compliance is one of the biggest problems we face," wrote a vice president. "The laws are very vague, and you get contradicting information from seminars, lawyers, print media, etc. We're a small company, and keeping up with the laws is becoming very difficult."

Another spin on legal compliance came from an HR professional who is dealing with immigration and language issues: "We are hiring more and more non-English speaking employees (construction field employees). Getting these workers to understand benefits and to participate in benefits programs is a challenge, as is any kind of communication. We also feel the federal government needs to do a much better job in making the determination of legality to work easier for the employer and to give more of a safe harbor from discrimination law violations for employers trying to do due diligence in verifying that applicants and existing employees can legally work."

● **Technology use for efficiencies, cost savings, and better HR operations.** "In order to do more with less people, we need to utilize technology to the max," wrote a corporate manager of employee relations.

Beyond efficiencies is a need to keep up with changes in business, according to a director: "As technology changes the way in which we do business, it is crucial that we have the right staff with the right skills in the right places."

● **Metrics.** "Talent management and HR metrics are top priorities," said a vice president of people services. "We are transforming the organization from paternalism to a meritocracy, while shifting management focus from basic ROI metrics to a broader, balanced scorecard." ❏