

Talent Management and Rewards



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It turns out the world is not exactly flat; it is actually quite uneven and perhaps a bit lumpy. Global companies will acquire and develop technical, operational and leadership talent locally and globally. Arbitraging labor costs, moving work around the world chasing the lowest cost, has its limits. Its benefits are derived primarily, though not only, from low-skilled production jobs. Two forces are driving the lumpiness. Products and services are becoming increasingly sophisticated, driving increased skill requirements. At the same time, firms are finding the need to be closer to the customer. In an age of dual-career families, underwater home values and changing family roles, many countries and companies do not have deep talent pools of professional staff and leaders who are ready, willing and able to relocate around the world, even if companies are willing to underwrite the cost (Sirkin, Hemerling, and Bhattacharya 2008).

Wipro, the Indian global outsourcing company, launched a consulting academy in the United States that produces several hundred certified Wipro consultants annually (Business Wire 2009). Wipro has more than 100,000 employees in 55 countries, including 9,000 in the United

States (Haines and Burnett 2010). According to CEO Azim Premje, Wipro relocates engineers from India to the U.S., paying prevailing U.S. salaries, due to a shortage of sufficiently mobile talent within the U.S. (Haines and Burnett 2010).

The economic environment of the past several years has led to high unemployment in the U.S. and other countries, especially in the European Union. However, a survey conducted by Towers Watson and WorldatWork found that “a vast majority of companies worldwide are having difficulty attracting the critical-skill and talented employees needed to help them rebound and prosper in the wake of the economic crisis” (Majority 2010). The survey also noted that companies see the need to focus their talent management initiatives in leadership, succession planning and career paths. Some companies constrain spending on traditional talent management initiatives. That affords others an opportunity to take cost-efficient actions linking talent management and other HR programs and processes in ways that can produce long-term value.

This paper discusses the several approaches to building links between talent management and compensation in the context of economic change, organizational challenges and increased globalization. In the first example, “Rightsizing Affords an Opportunity,” the links are both implicit and suggestive. In the other two, “Responding to a Changing Market — Building Leadership Talent” and “Building the Talent Pipeline,” specific links with talent management and compensation programs and other HR functions, such as talent acquisition, performance management and training, are illustrated. This article also discusses the implications for corporate governance and the talent pipeline in global firms.

RIGHTSIZING AFFORDS AN OPPORTUNITY

From a business perspective, talent is the most difficult competitive advantage to replicate. Technological and financial sources of competitive advantage, though important, are at best temporary. The firm’s talent and leadership, which create the technology and employ the financial resources, are the true sources of long-term sustainable competitive advantage (Collins 2009 and 2001). This requires a broad-based business focus on the development and management of HR talent. It also requires a significant depth of general and industry-specific business knowledge and acumen, process flow management and finance in addition to the HR domain-specific knowledge.

In traditional downsizing, work is eliminated, outsourced or reassigned. This situation affords the opportunity to reorganize the work focusing on value creation. Administrative processes are outsourced or current outsourcing is increased. For years, finance departments have been outsourcing accounts payable and employee expense statement processing and HR departments have been outsourcing aspects of benefits administration. Taking a more or less traditional approach, HR departments can look at outsourcing additional administration and compliance tasks associated with recordkeeping, payroll, Human Resource Information Systems and

employee call center services. Other opportunities that may seem less traditional include combining employment and compensation.

The broader challenge is to make the decision on outsourcing or reorganizing with a view toward the future of the business and its talent needs. If HR staff members are given challenging development opportunities during the tough times that build their HR and business talents, they can be ready, able, and hopefully more committed, to help grow the business. The result can be a more efficient and effective staffs whose talents are focused on value creation. By outsourcing traditional administration and compliance tasks and even some talent acquisition roles, HR leaders are focusing on high-value activities, such as strategic policy formulation and execution, professional customer service excellence and vendor management (administrative excellence). This is illustrated in the Human Resources Excellence Model. (See Figure 1). This allows HR leaders and staffs to work and contract with the business leaders in sales, marketing, production, operations and other key internal units as well as with external relationships required to build the firm's talent advantage.

RESPONDING TO A CHANGING MARKET — BUILDING LEADERSHIP TALENT

In another case, the organization was experiencing a period of market changes and increasing competition that was significantly pressuring margins. Operating efficiency, reliability, safety and solid financial results had become equally important. As the CEO put it, “When you're losing money on every unit sold, you can't make it up on volume.” Along with the more traditional cost-efficiency initiatives, the organization felt a need for a change in leadership focus. For years it had been focused on efficiently managing functional silos. A new model was developed for the executive cadre. That model was focused on three core competency sets:

FIGURE 1 Human Resources Effectiveness Model



- **Leadership.** This included: understanding situations, conditions, challenges and opportunities; formulating a vision and strategy of how to seize opportunities; building guiding coalitions and broad-based commitment; mobilizing the required financial, technical and human resources; and implementing the plans of action generating successes. Inherent in each was the understanding and communication of the organization's values; doing things in the right way as well as leading for results.
- **Business acumen.** This included understanding the value creation model and policies in the context of the industry and the financial aspects such as sales revenue, net income, ROI and working capital. It was no longer sufficient to just understand one's own role; it was necessary to understand how all of the parts fit together. Developing broad business acumen was the most challenging because in some cases it required leaders taking on senior roles in areas that were different than their traditional career paths.
- **Domain competency.** This is traditionally the "comfortable competency." If you are in finance, engineering, production, sales, etc., you need to have the competencies essential for that domain. However, as leaders moved to new roles as part of their development, they moved outside their comfort zones and had to develop competencies in multiple domains. This is not to suggest that an operations manager had to become an engineer or an HR manager had to become a CPA, but the manager had to become sufficiently proficient to lead and represent the function.

The foundation upon which these competencies are developed is described in the next section, "Building the Talent Pipeline."

The compensation system for this group was restructured into four bands with each band representing a key leadership level, such as CEO/COO, C-suite and Executive Committee, division heads and department heads. A leader's salary within a band was based on the market rate (target) for the position and an assessment of his/her competencies. A salary increase, if any, was predicated on a leader's progress in developing his/her competencies, contributions and the market rate at the time of the review. For example, a leader who was assessed as fully competent in all three competency domains would be paid at the market target for the job. Another who was assessed as fully competent in two would expect to be paid below the market target. Individuals who were transferred to a role in another competency domain would be expected to develop those competencies rapidly.

BUILDING THE TALENT PIPELINE – RESPONDING TO A CHANGING MARKET

Below the senior leadership level, talent development was based on a traditional hierarchy of jobs, generic job descriptions and a career path. For example, the engineer job family had a career ladder with six job levels in the hierarchy leading to the senior engineer position, which generally resulted in a promotion

FIGURE 2 The Leadership Competency Pyramid



and pay increase about every two years. The inherent risk in the system was that an unqualified individual could advance to the senior level without building sufficient expertise.

The solution implemented was based on a competency model that spelled out specific demonstrable competencies and behaviors required at each level. The competency model was developed based on extensive structured interviews with senior engineering managers.

Senior managers were able to articulate four clearly distinct levels of the competencies displayed by successful engineers. Two of the levels had second proficiency levels. For example, the Level 3/4 was a career competency level where an individual could remain the balance of his/her career. The higher level (Level 4) was a recognized sufficient proficiency at which an individual could perform assignments with the need for only limited supervision of progress and results as well as mentor lower-level engineers. Level 5/6 senior engineers might never advance to senior leadership level positions described above. Nevertheless, individuals needed both a diversified knowledge of engineering and a strong business orientation to provide operational supervision, project management and technical leadership, as well as apply intensive and diversified knowledge of engineering principles and practices. An understanding of corporate policies, values, operations and objectives was needed to solve complex engineering problems and make technical decisions on methods and obstacles that contributed to operating efficiency, reliability, safety and financial results.

In addition to the competency requirements, each level was defined by its: general characteristics; direction received (type and amount); and major responsibilities (type and scale of projects or portions and types of solutions expected, if any.)

Seven competencies emerged:

- Technical and theoretical knowledge, including data analysis
- Organization and industry perspective and knowledge breadth
- Communications
- Problem solving
- Planning and administration (project management)
- Leadership and influence
- Initiative and independence.

Departments had the ability to define and articulate department-specific requirements for each of the competencies. For example, electrical and mechanical departments were able to articulate specific systems or analyses related to a generic competency.

Progression through the hierarchy was based on managers and division heads stating that the individual being promoted possessed the competencies required for the new level. This helped ensure that the organization was getting the value for which it was paying. Another criticism of the old process was that in order to advance beyond Level 3, one had to become a manager. The negative consequences, such as great engineers being promoted and becoming poor managers, are well known. This was addressed by incorporating a dual career ladder in which individuals could progress along an individual contributor/technical career path, a managerial career path or between both to the Senior Engineer Level 6. The common grades and salary ranges ensured common pay practices for both individual contributor and managerial positions.

Relocation was an issue given the location of the organization's plants, engineering function and headquarters roles. Managing this expectation began during hiring. Candidates were advised that advancement to senior engineering, managerial and senior leadership roles required a mix of staff engineering, plant and headquarters experience. Positions in the various roles were located based on the organization's needs. An individual's development could be inhibited by a reluctance to move to where the career development opportunity and the need existed. An understanding going in led to improved employee acceptance of "the deal."

Both of these examples are based largely on employee development through job and project assignments as well as mentoring and nurturing talent by managers. Specific training programs could be developed and deployed based on needs assessments within a department or across departments, such as the engineer-in-training and professional engineer licensing requirements.

PLANNING THE TALENT SUPPLY CHAIN

Having considered several examples, the article's focus now shifts to the implications for support processes. Many of the traditional talent management techniques and processes go back several decades as organizations forecasted their talent needs based on organization business growth plans and the estimated outflow of

TABLE 1 Sample Engineering Model (Electric Utility)

Competencies	Assistant Engineer	Associate Engineer	Engineer I
General Characteristics	This is the entry level position for an engineer requiring no work experience and expertise beyond that required to attain a BS in Engineering from a school accredited by the Accreditation Board for Engineering and Technology (ABET). Experience, if any, would primarily be from internships while in school. Assignments are designed to develop practical engineering skills and applied competencies.	This is the second level for an engineer. This level differentiates from the entry level in that the incumbent is assigned slightly more complex engineering tasks and should be capable of recognizing abnormal variances of results. The incumbent should begin to develop a basic understanding of company generation, transmission systems and equipment. During his/her tenure at this level, the engineer involved in design work should sit for the EIT exam.	At this level, the incumbent is considered a fully qualified engineer. He/she will be able to handle all but the most complex engineering tasks. The incumbent will be expected to draw conclusions from data analyses and begin to make recommendations on courses of action. This level requires developmental experience in a professional position.
Direction Received	Works under close supervision, receiving advice and guidance from Engineers and Senior Engineers, as well as Managers/Directors. All work is checked while in progress and reviewed for accuracy and completeness.	The incumbent works with greater independence. However, projects are still assigned by Manager/Director or Senior Engineers. Works under moderate supervision, receiving advice and guidance from Senior Engineers. All work is reviewed for accuracy and completeness.	Works independently on routine engineering work. Tasks are delegated to the engineer by the Manager/Director and/or Senior Engineers. Although this position works independently, all work is checked by others.
Major Responsibilities	Performs a variety of routine tasks that are planned to provide experience and familiarize the engineer with his/her work group, engineering methods, practices and programs of the company. Tasks are limited in scope.	Using prescribed methods, performs specific and limited portions of an engineering project, which may include preparation of simple design specification, equipment testing, etc. Applies standard practices and techniques to engineering situations, analyzes data, recognizes discrepancies in results and follows operations through a series of detailed steps.	Performs work that applies engineering/scientific knowledge to conventional types of designs, systems, structures or equipment. Assignments usually include one or more of the following: equipment design and development, test of materials, preparation of specifications, process study, research investigations and report preparation.
Technical/Theoretical Knowledge	This position requires solid quantitative skills with the ability to analyze data and report results (e.g., load flow studies). This includes engineering theory, physics, calculus, basic statistics and computer skills. Incumbents should have an understanding of power system theory. Generally, it can be assumed that the individual has the academic qualifications to sit for the EIT exam (academic equivalent offsets as specified by the state).	The incumbent builds upon entry-level skills and starts to develop a better working knowledge of the company's engineering and operating policies, practices and goals, and the electric utility industry. The incumbent runs computer analyses, such as transient stability and voltage analyses, and reports results. At this level, the incumbent must demonstrate proficiency using the company's engineering software.	This position requires current expertise in the incumbent's specific engineering discipline and how that discipline relates to the company's mission, customers and operations. The individual should be knowledgeable in the various regulations and codes that apply to his/her specific discipline. The incumbent must have the ability to understand and write simple engineering specs. At this level, an engineer involved in design work should have passed the EIT exam.

Engineer II	Senior Engineer I	Senior Engineer II
<p>Engineers at this level do not require a significantly different set of competencies than are required at the previous level. Minor differences exist in the competencies below:</p>	<p>At this level, substantial technical expertise is required. The incumbent must have both a diversified knowledge of engineering and a strong business orientation in order to provide technical leadership. Within the company, he/she may be the highest technical expert in a certain discipline. The incumbent applies intensive and diversified knowledge of engineering principles and practices, and an understanding of the company's policies, operations, and objectives, to solve complex engineering problems, and make technical decisions on methods and obstacles.</p>	<p>Engineers at this level do not require a significantly different set of competencies than required at the previous level. Differences exist in the competencies below:</p>
	<p>Supervision and guidance are related largely to overall objectives, critical issues, and policy matters. Consults with Manager/Director concerning unusual problems and developments. Work is checked by others at a Senior Managerial level, although work is expected to be presented in a polished form.</p>	
	<p>Develops and evaluates plans and criteria for a variety of projects and activities. Assesses the feasibility and soundness of proposed engineering evaluation tests or equipment. Usually performs as a staff adviser and consultant. Represents the company at technical conferences and company meetings.</p>	
<p>Engineers at this level may be licensed professionals. Generally, it is assumed that the individual has the qualifications to sit for Part II of the PE exam.</p>	<p>Develops and evaluates plans and criteria for a variety of projects and activities. Assesses the feasibility and soundness of proposed engineering evaluation tests or equipment. Usually performs as a staff adviser and consultant. Represents the company at technical conferences and company meetings.</p>	

TABLE 1 Sample Engineering Model (Electric Utility) *continued*

Competencies	Assistant Engineer	Associate Engineer	Engineer I
Organization/ Industry Perspective & Knowledge Breadth	This position requires general engineering knowledge and a basic understanding of the utility industry. Perspective at this level is limited to engineering fundamentals.	This position requires general engineering knowledge and a basic understanding of the utility industry. Perspective at this level is limited to a specific engineering function with an awareness of the company's related activities and operations. For example, at this level the incumbent should be familiar with a per unit system.	This position requires knowledge of the company's policies and practices as well as industry-wide policies and practices. He/she must have an understanding of various laws and regulations and how they affect or can be applied to the company. This level also requires a solid understanding of related disciplines, divisions, and/or departments and their interaction with the incumbent's assignments.
Communications	Written communications skills must be at a level at which the incumbent can request data, summarize analysis findings and write routine internal memos. Basic oral communication skills are necessary to interact with others in the unit/department. These are considered foundation skills.	Same as Assistant level.	Must be able to produce finished reports and specs that explain recommendations in a clear, concise and articulate fashion. These documents should require little or no editing by supervisors. It is important that the explanations of often complex data and concepts be in either detailed technical terms or "lay terms," depending on the audience. In addition to excellent interpersonal skills, foundation level group presentation skills are required to handle in-house presentations. The Engineer will also begin dealing with external audiences (e.g., vendors, other utility engineers and committees).
Problem Solving	Conclusions will be simple and based on data analyses. Engineers at this level are encouraged to make recommendations concerning data analysis procedures.	Conclusions will be simple and based on data analyses. Engineers at this level are encouraged to interpret results and, in some instances, make recommendations.	The incumbent must demonstrate the ability to view tasks logically, break them down into essential requirements and generate a solution applying accepted standards. Costs and time constraints must also be considered. The incumbent must recommend the best course of action to meet the project's objectives. At this level, the individual must be able to complete a multi-aspect or multi-phase project.
Planning & Administration	Planning is limited to that which is required on a day-to-day, assignment-to-assignment basis. The incumbent must meet deadlines set by Manager/Director or Senior Engineers.	Planning is limited to that which is required on an assignment-to-assignment basis. The incumbent must meet deadlines set by Manager/Director or Senior Engineers.	At this level, the incumbent will assist higher level engineers in long term project planning and scheduling. Deadlines are set by Manager/Director or Senior Engineers.

Engineer II	Senior Engineer I	Senior Engineer II
	<p>Must be aware of changes and advancements in the industry and develop industry-wide expertise. For example, the individual may work with other utilities and/or vendors to solve common equipment or design problems, or with customers to better address their needs. At this level, the incumbent should understand how the company interacts with outside organizations, including other utilities and regulatory agencies, and with its customers. Additionally, the individual must be familiar with the company's budgets, costs, rate structures and policies.</p>	<p>The incumbent must have a broader perspective across multiple engineering disciplines. In addition to a thorough knowledge of the electrical utility industry, both technical and business perspectives are required.</p>
<p>Oral and written communication with external parties increases in frequency as the engineer negotiates with clients and vendors. The incumbent can be called upon to participate in an external task force.</p>	<p>At this level, the incumbent must have excellent interpersonal skills. An engineer at this level will be called upon to give both internal and external presentations that are logical, smooth and influential (e.g., Capital Review Committee presentations). He/she may be called upon to give expert testimony on behalf of the company and may chair an external task force. Strong negotiating skills are also critical at this level. Written reports at this level can include research papers, analytical studies and equipment reviews (e.g., IEEE papers, interrogatives, job scopes). These reports should be of high quality and ready for final submission, and appropriate for the intended audience.</p>	
	<p>Engineers at this level should be focusing on the results of data rather than on the data analysis procedures. In some cases, these "problems" may be associated with the company's generation and transmission of electricity safely, at the lowest cost, or in developing expanded capabilities and services for customers. They must have the ability to investigate what is not intuitive and to develop solutions to non-routine problems (e.g., complex 765 KV problems). He/she must be able to handle a project from start to finish with only major decisions being brought to the Manager/Director.</p>	
<p>At this level, the incumbent will begin independently planning and scheduling short-term projects.</p>	<p>Because the incumbent may plan and manage long-term projects, strong project management skills are required. When given a leadership role, the engineer will coordinate the activities of other engineers by creating project schedules and job scopes.</p>	<p>The incumbent may be called upon to assist the Director in various managerial tasks (budgeting, scheduling, etc.).</p>

TABLE 1 Sample Engineering Model (Electric Utility) *continued*

Competencies	Assistant Engineer	Associate Engineer	Engineer I
Leadership & Influence	None at this level.	None at this level.	The incumbent must begin to show the ability to influence others to combine resources so that project deadlines can be met. The Engineer I is expected to act as a role model and provide technical guidance to entry level engineers.
Initiative & Independence	Receives specific and detailed instructions about required tasks and expected results.	Incumbent should be able to complete tasks with minimal supervision.	The incumbent must recognize problems that arise during analysis procedures or in analysis results. The incumbent should provide potential alternatives to Manager/Director or Senior Engineers.

talent (Meehan and Ahmed 1990). Those forecasts formed the basis for staffing plans and assignments, training programs, recruiting plans for replacements, increased staffing and associated budgets. As business conditions changed, plans were revised to reflect the firm’s response.

These traditional approaches are context-specific and work well within a specific setting, such as a company or division of a company within a country. The processes may be deployed globally at the leadership level and are traditionally context-specific at the operational level. These planning and forecasting models were based on historical data and growth projects, but were generally static and revised with changing circumstances. HR professionals need to adapt dynamic tools used in supply-chain management, such as overstock and out-of-stock measurement, dislocation of talent, scenario analysis and sensitivity modeling. Plans can then have a probability based on high- and low-staffing demand levels that are business-driven and talent-specific. Those plans feed into an overall planning process. Decisions can then be made as to the level(s) to manage talent and the extent to which talent demands can, or should be, met by regular employees, contractors or outsourcing vendors.

These methods will help HR staff and business leaders identify the potential costs of inefficiencies and inaccuracies in the planning process and measure the effects of past inefficiencies and the effectiveness and responsiveness of new programs. Talent management becomes a just-in-time process that is better able to supply the right talent in the right place at the right time. An inherent component is the design structure of the compensation system, i.e., how competencies,

Engineer II	Senior Engineer I	Senior Engineer II
The Engineer II is expected to lead ad hoc teams and internal task forces. The incumbent will take a leadership role on less critical projects.	The Senior Engineer must be persuasive and have strong negotiating skills. Guidance and motivation should be provided to junior engineers.	As the staff-level engineer ultimately responsible for technical content, much of the unit's work will be reviewed by the incumbent prior to being forwarded to the Manager/Director. At this level, the incumbent must be prepared to assume the Director's role in his/her absence. The individual must be ready to represent the company externally by chairing task forces or providing expert testimony. He/she should be able to provide technical leadership in an area of expertise across the company, including to Senior Management.
Incumbents at this level are expected to take a more proactive approach toward identifying and solving problems.	Must be able to identify problems and solutions, as well as efficiency improvement opportunities, when they arise, without waiting for direction.	

contributions and advancement are recognized. While competitive position in the market (“how much we pay”) is important, the basis (“what we pay for”) is equally important at a strategic level.

REWARDS, TALENT MANAGEMENT AND CORPORATE GOVERNANCE

In managing talent in a global firm, the respective roles of local and corporate leaders needs to be clarified as does the firm's focus and mindset. (Sirkin, Hemerling, and Bhattacharya 2008). It requires identifying the desired outcomes, the right thinking (values), and the right behaviors in order to demonstrate the right competencies. It follows that implementation requires the right role models, apocryphal stories, training and development, performance measures, and rewards and consequences to communicate and embed the values and goals in the workforce. Values, competencies and results are linked with each other and to the rewards system, especially performance-based pay.

A firm whose value chain is distributed in different continents, regions and countries is in the tricky situation of needing enough glue or stickiness (corporate control and risk management) to prevent it from flying apart but not so much as to “bind up the works,” making it inflexible and insufficiently responsive to globally dispersed threats and opportunities. For each firm there is an appropriate balance between a rigid chain-of-command and too much delegation.

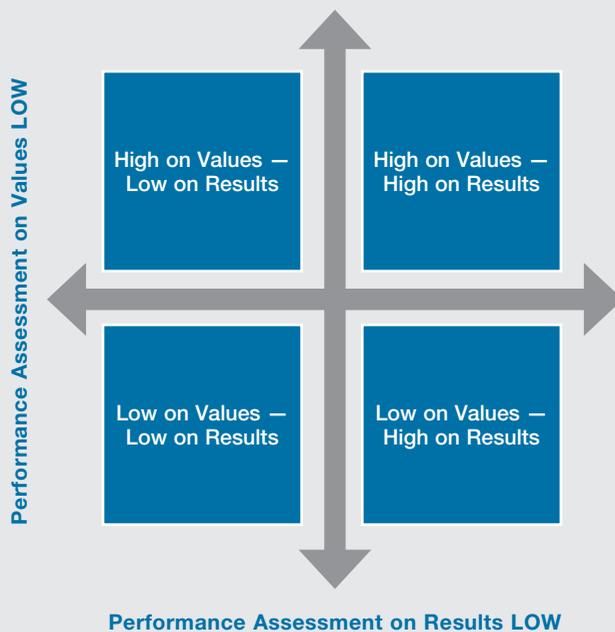
The global financial crisis of 2008-2010 illustrates the loss of a critical focus on customers, a failure to consider sustainability in managing risk and a system of rewards and consequences that was highly focused on short-term profits and greed.

It also illustrates the importance of properly linking talent management and rewards systems. Rewards and consequences are important to achieving a balance between prudent risk-taking, which is necessary for success, and moral hazard, which inappropriately reduces the consequences of failure. Developing, managing and rewarding talent and outcomes in synch with the firm's focus and mindset contributes to creating the appropriate balance of stickiness and flexibility. The financial crisis also illustrates the importance of developing and selecting talented individuals who are focused on the desired outcomes, right thinking and right behaviors.

One of the lessons learned is that a comprehensive talent management competency model is important for building a sustainable business. Such a model must incorporate: leadership competencies including doing the right things for the right reasons; business acumen, including risk management and a broad understanding of financial and operational sustainability; and competencies for several domains. Tools such as the balanced business scorecard and competency models afford firms the opportunity to establish HR objectives that integrate HR initiatives such as rewards and talent management with financial, sales and operational goals.

It is not enough to have robust competency definitions used solely for selection and employee development. They also need to be linked with the firm's values (doing the right things) and with outcomes and results (doing things right), which contribute to long-term value creation, particularly for leadership positions and especially for executive leadership positions. A common set of competencies and a global job-leveling process provide a platform to integrate compensation and rewards systems with values and results. Figure 3 illustrates the relationship between values

FIGURE 3 Results Matrix



and results. Those leaders in the upper right quadrant with a “high commitment to values and high results” are doing the right things well and should be rewarded accordingly. Those in the lower left with a “low commitment to values and low performance” are candidates for being removed from their positions, particularly if they have previously been in that classification. While it can be tempting to accept those who have “high performance on results but a low commitment to values,” they are often the most problematic. Too often these leaders produce results at the expense of employee morale and commitment to the organization’s values; they fail to provide appropriate role models; and often undermine the firm’s credibility in the community.

If the “right values” facing competencies are not developed early in an individual’s career, they are difficult to develop later. It is more likely that those in the “high commitment to values and underperforming on results” quadrant can be developed with solid coaching, competency development and appropriate assignments (Tichy 1997).

Competencies (leadership, business acumen and domain-related), a common/global job leveling process, and the Values – Results Matrix facilitate the development and operation of globally consistent programs. Those programs include short- and long-term incentives, employee and leadership development, career paths, workforce planning, staffing and succession management.

IMPLICATIONS FOR GLOBAL FIRMS

The challenge becomes more complex when the firm is using a globally distributed value chain. In that context, the organization may have multiple profit centers functioning locally in numerous countries or it may have a single country customer base, but in either case have a global value chain. An example of the latter is a U.S.-based electronics component firm that sources components from Asia and has a call center in Europe. This introduces complexity (having to relate to multiple economies, multiple labor markets and global cultural diversity) into the compensation and talent management system.

Multiple Economies and Labor Markets

As companies expand their global reach and establish operations in multiple regions and countries, they increasingly require a method for establishing the internal value of jobs. This need not be a cumbersome and highly rigid job evaluation process of the past; it can, and needs to, be a responsive process. Nevertheless, a common job-leveling process is needed to support a global talent management process. As companies move people around the world, it is important to be able to compare available jobs and appropriately match talent. It is unfortunate, expensive and de-motivating when someone is moved to a development opportunity half way around the world that is later determined to be several levels below the person’s current level.

A PROJECT PLAN FOR TALENT MANAGEMENT AND COMPENSATION

1. Determine the organization's talent requirements to achieve the business plan, including the time line.
 2. Determine best practice approaches:
 - a. The appropriate competency development approaches such as competency models, skill-based plan and job enrichment, remembering that multiple approaches can be used concurrently.
 - b. The appropriate reward systems to support talent management initiatives such as skill-based pay and competency-based promotions.
 3. Develop an implementation and action plan to design and implement the talent development and compensation tools including developing and communicating the business case.
 4. Define, Develop and Link Programs
 - a. Define the competencies and skills required to achieve the talent management goals. This can include interviews with managers and employees, questionnaires and job observations. Communication of the business case and the project should be included.
 - b. Integrate talent-management initiatives with the Values – Results Matrix, incorporating performance management, rewards and recognition processes, tools and systems that link talent management, results and compensation.
 5. Implement the strategy and programs communicating the business case as well as plans, programs and processes.
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Compensation for jobs needs to be localized to ensure that pay is competitive, appropriately designed and cost-efficient for the particular market. There are, however, some programs, such as equity plans, where awards/grants are based on job level, thus making the common structure of jobs and grades important. Before the world became flat and lumpy, it was sufficient to limit global job-leveling plans to senior management positions. A common set of competencies and job-leveling scheme are needed to facilitate equity awards and bonus plans as companies move employees at various stages of talent development from country to country to fill critical vacancies when they cannot find local candidates with the required competencies (Haines and Burnett 2010). The competency model in Table 1 is an example.

Cultural Diversity — the Global Mindset

As the value chain becomes more globally distributed, the organization's vision, its overriding desired outcomes and the right thinking (values) need to be global. The "home country" culture cannot simply be rolled out globally. The Values – Results Matrix can be applied to local as well as global circumstances to ensure core values are not sacrificed and provide a guide for all. (See Figure 3). Rewards and consequences also need to be adapted to the local situation in ways that focus employee effort toward the desired outcomes. For HR leaders, a core competency becomes helping business leaders and staff in

the organization's home country and in local country units understand and adapt the implementation of the organization's core values and develop a global mindset.

It is generally understood that compensation trends and practices vary from one culture to another; some are more egalitarian and communal while others more individualistic with respect to rewards and recognition. From the perspective of linking compensation and talent management, the competencies need to include a cultural awareness competency that covers the cultural differences affecting leadership performance and the competencies required at different career levels. For example, an engineering team member needs to have an awareness of, sensitivity to, and respect for the cultural differences and employ behaviors that demonstrate such to fellow team members. A more senior-level position may require the incumbent to be able to adapt to effectively living and working in other countries and cultures. Competencies required of leaders with global responsibilities include: understanding different business, political and cultural contexts; creating trans-cultural visions; and communicating to implement those visions (Gomez-Mejia, Balkin, and Cardy 2010). The global effectiveness competencies incorporated in the competency model provide a clear set of development steps to develop leaders who can reconcile the various economic, social and cultural dilemmas in the global context consistent with the organization's values and results paradigm, which can be a dilemma itself. The ultimate payback is that diversity and resolving the inherent dilemmas tap into the creativity and innovation of a talented and diverse workforce. "Global Mindset" becomes a core competency.

CONCLUSION

Even in the economic environment of the past several years with its high unemployment, companies are experiencing shortages of critical-skill employees. Those that make investments in talent management and rewards through programs such as those described in this article have an opportunity to seize competitive advantage by developing and rewarding their talent. Moreover, they have the opportunity to build a strong relationship between doing the right things in the right ways for the right reasons and their talent management and reward systems. Highly competent individuals producing excellent results and being appropriately recognized and rewarded are critical to creating sustainable business. This article has pointed out some concepts and tools to help in realizing those goals. ■

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