

Expanding performance management to balance near-term goals with long-term talent development

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Through my work I have seen performance management methods used by hundreds of companies across multiple industries and geographies around the world. This experience has shown me there is no “best practice” when it comes to performance management. Methods that work in one company can fail in another. I’ve also been impressed by the range of ways companies configure performance management processes to fit their particular culture, business needs, and resource constraints. One particularly interesting method that is growing in popularity is using different types of managers to balance near-term operational business goals with long-term talent development objectives.

Most performance management processes focus on the relationship between two people: the employee and their direct manager. But some companies are expanding performance management to be a partnership between three people with very distinct roles:

- **Employees:** also called individual contributors or direct reports, this role defines the person whose performance is being managed and developed through the process.
- **Project managers:** also called team manager, operational manager or mission manager, this role is similar to the traditional manager role. This person is responsible for ensuring employees are effectively carrying out tasks that support the company’s operational business goals. Project managers are typically rewarded for making sure the company achieves operational targets such as quarterly goals and productivity metrics.
- **Talent managers:** also called functional manager, practice manager, or workforce manager this is a new type of role focused on ensuring the company is building the workforce needed to achieve its multi-year profit and growth plans. They are usually rewarded through stock or other long-term incentives tied to broad company performance. They may also be incented for reducing workforce costs through increasing employee engagement, productivity, retention, and internal staffing and promotion. The creation of talent managers usually does not involve adding new headcount to the company. Instead it is about making senior leaders in the company formally responsible for guiding development of talent in their functions, regions, or departments.

I first encountered “talent manager” roles in professional services organizations whose profit and growth strategies depend on a steady supply of highly skilled consultants they can assign to new business contracts. This concept is also often found in companies that have a strong focus on project based work (e.g. engineering companies). These companies are challenged with balancing the constant re-assignments of employees to different roles and teams based on short term operational needs, with the importance of also providing employees with long term career development paths.

The figure below illustrates the roles of employee, project manager, and talent manager in the context of the performance management process. The process starts by everyone understanding the motives of the other players. Employees primarily care about being able to perform their current job successfully and progressing toward their career goals. Project managers care about delivering against business targets on time and under budget. Talent managers care about maximizing utilization of the current workforce while developing workforce capabilities to support future business strategies. The reason this three-way partnership works is because one person cannot achieve their goals without help from the other two.

There are several advantages associated with this three way partnership. First, it helps keep performance management from turning into a two way negotiation between employees and managers over career goals versus business objectives. Instead it emphasizes balancing near-term operational requirements, long-term company strategy, and current workforce capabilities and interests. This helps address the inherent tension between managing employees to maximize short-term operational efficiency vs. build long-term workforce capability. The best way to develop employees is to give them tasks that require them to learn new things. But learning takes time and energy and people aren't always successful. Giving a task to someone who hasn't done it before creates more operational risk than assigning it to someone with previous experience. Operationally focused project managers are often reluctant to give employees assignments unless they've already done them. As a result employees either stagnate in their role or quit the company to pursue career development opportunities elsewhere. Introducing talent managers into performance management gets project managers to pay more attention to employee development when assigning and supervising job roles. Talent managers also help employees to more effectively build their skills through leveraging job experiences.

The three way partnership also addresses the reality that what make someone a good project manager doesn't necessarily make them a good talent manager. Companies struggle to find managers who can both manage work and develop talent. And when push comes to shove, companies almost always favor managers who "hit the numbers" but burn out employees over managers who struggle with project management but excel at people development. Introducing talent managers allows project managers to focus on managing work without trying to fulfill two different roles at the same time. Project managers also improve their employee development skills by working with experienced talent managers.

Another benefit of talent managers is it provides employees and project managers with a "safe environment" to discuss job performance issues. Talent managers focus on overall workforce development. They must have a strong understanding of the company culture and strategy but they are not involved in the day-to-day operational issues that often affect relationships between employees and project managers. As a result, they can serve as effective third party coach for employees to discuss challenges they may be having with their roles or project managers. They can also help project managers address issues they may be having with employees. Talent managers act as a counselor who understands the project manager and employee's work environment, and whose goal is to balance the need to hit this quarter's numbers with the importance of retaining talent and building a long-term workforce.

The use of talent managers can significantly improve performance management in many companies. But there is one key criteria necessary for talent managers to be effective. They must be respected as someone who has considerable business acumen and company influence. For example, in consulting companies the talent managers are often senior partners, whereas many project managers have not achieved partner status. Talent managers must be seen by project managers as people who understand the business at an operational level. Frequently they have held project manager type roles earlier in their careers. Talent managers must also be seen as people who understand how the organization works at a cultural level. This experience gives them the credibility needed to effectively work with both employees and project managers.

Creating talent managers rarely involves hiring new people. Instead, talent managers are usually created by expanding the roles of existing senior leaders to include formal responsibility for workforce

development. And then providing these senior leaders with the resources and training to be effective talent managers. There are several reasons why it is usually preferable to create talent managers using existing leaders within the organization. First, talent managers must have a strong understanding of the long-term strategy and broader workforce needs of the company. They need to understand how near-term operational staffing decisions will positively or negatively impact workforce development over time. Second, they must have a cross-functional understanding of the workforce and be able to help employees build development relationships across the organization outside of their current role. This sort of knowledge is difficult to acquire without having direct experience working in the company. Note that while senior leaders tend to make ideal talent managers, not all senior leaders have the capabilities and motives needed to be effective as talent managers. One significant challenge is developing the coaching and mentoring skills needed in senior leaders to perform this role, and then holding leaders accountable for achieving long-term workforce development targets.

No performance management method works well for every company, and not all companies require the use of talent managers to effectively manage employee performance. But anyone can benefit from reflecting on the reasons why talent manager roles are being adopted in many companies and how the concept of the talent manager role might be explored within the constraints of their own organization.

