

Strategic HR Reward Dialogue #2/2024 – Key Takeaways

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Please find below some insights from our most recent conversations with HR executives of leading multinationals and growth companies.

Topic: Strategic Talent Management

What are current trends, experiences and challenges?

- While Talent Management is a key component of HCM strategy helping to ensure a company has the right people at the right time and place now and in the future, approaches can vary much between organizations, depending on how talent is defined and assessed, e.g., is it related to a leadership framework, the company’s culture and values, what role do skills & competencies play, to what extent are performance and reward integrated. Often, Talent takes the lead, with Pay closely linked. Benefits & Mobility may reside in HR Operations.
 - The last decade has seen much investment into Job Architecture projects, enabling Strategic Workforce Planning (SWP) and strengthening Succession Planning (SP). SWP aligns a company’s organizational capabilities with its long-term business goals, while SP complements it by identifying and nurturing talent to fill critical roles as they become vacant. But how effective are they?
 - SWP builds on a more skill-based Job Architecture supporting a better understanding of current and future skill needs and broadening the internal talent pool. It also encourages continuous Learning & Development, with staff becoming their own career ambassadors.
 - To identify and groom future leaders, much resource goes into discussing talent, looking at who is ready to step in/up now, in 2-3 or 5+ years’ time.
- Nonetheless, key roles are often still filled externally, adding risk and losing value, at least short-term. Reasons vary, e.g., lack of preparedness, readiness or interest, new requirements, etc. If this happens more frequently, SP risks to



become an alibi, check-the-box exercise, with heavy annual process, done mostly for contingency planning and to satisfy shareholders & investors, but with limited real return. The question here is who is held accountable (beyond the chief executive - who is controlled by the board), and how?

How are companies adjusting their performance and pay practices?

- With a move to more autonomous teams, many companies have replaced their resource-heavy individual performance review & calibration process by more frequent and natural check-in & follow-up sessions. This includes coaching and some wellbeing benefits to support individuals / teams to perform at their best.
- Individual performance may be rewarded via merit, equity, recognition and career progression. Variable pay may be simplified to be based on financials, plus perhaps some sustainability measures. Line manager discretion in incentive awards may be exercised via, e.g., a bonus ‘modifier’ approach. Some firms continue to include at least a minor individual performance element for variable pay purposes - in support of accountability, alignment and to ensure progress against company-wide BHAGs.
- How do companies with no individual bonus retain top talent? They may put a higher emphasis on Talent Development, i.e., give high performers challenging extra work/responsibilities, offer job rotations or int’l assignments, for exposure and growth. If successful, people keep their jobs and may progress faster in career and pay than peers.
- While many firms strive to become more skills-based organizations, using skills as a basis for pay may work better for select hot skills in technical areas than for the broader workforce. With skills highly granular, demand & supply rapidly evolving, pay for skills can be quite complex, even if system-supported. After all, people are paid for jobs, not for skills which they may never deploy.
- Finally, special attention is being paid to ensuring Total Cost of Employment does not grow faster than Revenues in a highly volatile business environment.

