TALENT ECOSYSTEMS:
MANAGE CRITICAL CAPABILITIES TO GAIN A COMPETITIVE EDGE
CONSIDERATIONS FOR BUSINESS AND HR LEADERS
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TALENT ECOSYSTEMS – A NEW IMPERATIVE

In a complex, dynamic and highly interconnected global marketplace organisations face increasing pressure for rapid and continuous adaption.

In this environment, organisations need to concentrate on driving innovation more than ever before, to resolve such complex problems and deliver timely and meaningful solutions and products. Consequently, internal and external collaboration will be more critical for an organisation’s long-term success.

Key challenges organisations face include:

- Compressed times for satisfying customer requirements.
- Integrating concurrent technologies in the development of new products.
- Co-creating products and services in collaboration with customers and partners.
- Fully leveraging exponential knowledge growth in many sectors.
- Digital disruption of value chains and revenue models.

In parallel, the classical employment model of hiring permanent employees to manage work activities is breaking down as employee preferences change and organisations need to tap into capabilities beyond traditional boundaries.

These pressures are mandating a more rigorous approach to managing the so called ‘talent ecosystem’ to accelerate innovation and develop talent pools that can be rapidly assembled and reconfigured. In some cases, this will require partnering with competitors!

Talent ecosystems differ from traditional approaches to contracting and outsourcing in that they require a more holistic approach to managing critical capabilities and leveraging external partnerships and alliances to rapidly adapt and respond to shifts in the environment.

These new ecosystems are made up of five types of talent.

FIGURE 1: TALENT ECOSYSTEM
Internal Talent is the ‘traditional’ core team of full- and part-time employees that are on the payroll, covered by organisational policies and procedures. Typically, there is a lot of information readily available on this talent pool through the HR Information System (HRIS) and other HR platforms, and their training and career development needs are managed through internal programs.

Partnership Talent refers to professionals with a distinct area of expertise complementary to an organisation’s core capabilities or offering who are typically aligned in values and contribute to intellectual capital development and distribution. They work in structured arrangements and information on capabilities and capacity is often relatively easy to obtain at an aggregate level.

Freelance Talent refers to professionals who support the delivery of standardised solutions or products on a one-to-one basis and paid hourly or on a project basis. They are typically a single expert or team of specialists such as graphic designers/creative/technical writers.

Freelancers now make up an estimated 34 per cent of the U.S. workforce, 9 million people and rising in the EU, and around 30 per cent of the Australian workforce.

Crowdsourcing Talent refers to individuals collaborating to create products, services or insights by sharing their skills, experiences, ideas and sometimes, though not always, without direct ties to the organisation and sometimes with no remuneration. Crowdsourcing or open-source talent generally operates outside of corporate office and facilities and consists of multiple experts building on each other’s expertise, for example data scientists who bid to ‘win’ challenges with set prize money, hackers who get paid through a ‘open bounty’ when they are able to hack into IT systems, or developers who contribute virtually to Linux.

Collaboration with Competition

An effective talent ecosystem allows organisations to cooperate with competitors in a mutually beneficial arrangement that results in higher potential benefits for both companies. ‘Co-operation’, or simultaneous competition and cooperation, is a growing occurrence in which organisations work with competitors to create ‘the pie’, before competing for their portion of the pie. Specifically, competitors work together to increase the total benefit available (making the pie) before competing for the for their portion of the improved outcome (slicing the pie).
Technological advances are making this type of collaboration and external partnering more feasible. Project teams spanning organisational and geographical boundaries, that include representatives from supplier companies, customer organisations, and independent contracting third parties, can now rely on shared databases, cloud platforms, teleconferencing and other collaborative software.

Managing these relationships is no longer solely the role of procurement teams or vendor managers. HR will increasingly be required to adopt a strategic approach to talent management, developing an in-depth understanding of an organisation’s talent requirements, and managing capability and capacity in line with these requirements beyond the conventional employment relationships.

Careers are increasingly focused on experience, interesting projects and personal development rather than status and salary. As a result, employer-employee relationships are evolving and no longer necessarily begin with a job application and end at the completion of a contract. Instead, talent communities and social media are making it easy for talent to connect with employers even before the opportunity for employment arises, as well as stay in touch after completing an engagement. The increased mobility of employees, as well as a rise in the number of contingent and project-based assignments, means that talent may come and go in a company multiple times during their careers.

Developing a talent ecosystem for key capabilities will be important to remain competitive in an environment of continuous disruption and cost pressure.
FIVE ADVANTAGES OF TALENT ECOSYSTEMS

1. COST-EFFECTIVE, PRODUCTIVE, FLEXIBLE AND SCALABLE

Organisations are increasingly challenged by shorter demand cycles and less-predictable, rapidly changing customer requirements. Companies with a network of collaborators are better able to be flexible and scalable compared to traditional organisations. They are able to increase or decrease their size relatively quickly, and can more easily expand compared to other, less collaborative organisations. Being able to quickly and effectively create and dismantle teams creates a substantial competitive advantage, and enables an agile talent pool that is able to be assembled and organised in response to new opportunities and changing market requirements. This also increases the speed that products are developed and go-to-market, lowers the cost of product development and process improvement, and provides access to new markets and technologies.

2. ACCESS TO CRITICAL KNOWLEDGE AND SKILLS

The rapidly evolving environment in which organisations operate is intensifying. In industries where knowledge is complex, growing, and widely dispersed, the heart of innovation reaches further than the traditional organisational hierarchy. Creating an effective talent ecosystem greatly expands the availability of, and an organisation’s ability to fully leverage the wisdom of crowds, enabling organisations to be enterprising and innovative by exploring new markets, knowledge and ways of working.

3. ABILITY TO INCUBATE WITHOUT CULTURAL OR GEOGRAPHICAL CONSTRAINTS

Organisational culture can be a constraint to both innovation and R&D as perceived expectations and past ideas can limit ideas produced. Organisations are sourcing their expertise from external and divergent thinkers in order to remove this cultural bias and solve problems.

Recent research has looked at the value of divergent thinkers from analogous fields in R&D and innovation, finding that by leveraging the skills and expertise of experts from different fields, organisations can achieve better outcomes when resolving complex research and development problems.

This concept is similar to crowdsourcing in that complex innovation issues are work shopped by individuals from external, analogous fields. The experts discuss and work through possible solutions from their different professional background, without being constrained and influenced by who the organisation is or what the organisation may want as a solution. Leveraging external parties and crowdsourcing helps drive innovation, and leads to the delivery of ideas and solutions that otherwise could not have been developed internally, consequently generating economic value and sustaining a firm’s competitive advantage.
4. BUILDING AN M&A PIPELINE

Organisations are able to leverage talent ecosystems to determine the cultural fit and complementary nature of capabilities from external organisations in order to succeed in the market. This could enable a more strategic means of vetting potential opportunities for partnerships, joint ventures or merger/acquisition activity.

5. POSITIVE IMPACT ON EMPLOYEE VALUE PROPOSITION

A strategically designed talent ecosystem positively impacts an organisation’s overall Employee Value Proposition (EVP), increasing their ability to access and attract the talent required to complete the work that needs to be done.

As well as creating broad, diverse talent models that can leverage talent from almost anywhere in the world, talent ecosystems enable a more flexible, open-style of working amenable to the preferences of today’s younger, more connected workers. Over half employees report that flexible working arrangements, containing one or more of telecommuting, virtual teams, flexible time and pay plans, and temporary, project based assignments are highly effective at attracting qualified employees, and 60% stated that these arrangements are effective in retaining employees. This is likely to be paramount in maintaining satisfaction and engagement with the modern workforce, who are increasingly looking for meaning in their work, and autonomy to build their career on their own terms.

Talent ecosystems give employees the opportunity to progress their career beyond the limits of the traditional organisational structure, leveraging opportunities and projects within the ecosystem to build their expertise and experience.
THE CHALLENGES OF MANAGING TALENT ECOSYSTEMS

There are four key challenges and risks associated with talent ecosystems that need to be identified and managed in order to ensure optimal outcomes for all parties involved.

1. PROTECTION OF INTELLECTUAL PROPERTY
   If not managed correctly, talent ecosystems, comprised of a peripatetic employee base may pose a risk to organisation’s intellectual property (IP). Valuable experts and contributors with no loyalty to their ‘employer’ may be able to replicate and scale up innovations, and potentially collaborate with competitors. Whilst this is the best of free market operations, limited restrictions and rapid knowledge transfer capabilities pose a challenge to corporate desire to own and control all IP. Organisations desire to maintain ultimate control and high levels of bureaucracy are cumbersome and restrictive in talent ecosystems. Thus, companies must rethink their perspective on IP, adopting a more strategic approach and taking calculated risks in sharing information and propriety in order to drive innovation.

2. PROTECTION OF CUSTOMER OR SUPPLIER RELATIONSHIPS
   As well as fundamentally changing the nature of customer/supplier relationships, talent ecosystems add another layer of complexity for organisations. Specifically, by adopting a more open model, partners may leverage customer or supplier relationships that are accessible via the ecosystem to their own advantage, in competition with the organisation. Organisations need to be proactive in developing and maintaining trusting and constructive relationships with customers and supplier, as well as with ecosystem partners to increase transparency and mitigate this risk.

3. PROTECTION OF REPUTATION
   Talent ecosystems can decrease an organisations control over the delivery of products and services, increasing the difficulty of monitoring and overseeing the work of external partners compared to permanent employees. Ecosystem partners may not deliver services or products to expected quality levels, which necessarily will have implications for an organisations reputation and competitiveness. This necessitates the development of new governance and quality assurance frameworks, including appropriate legal arrangements, to ensure standards and reputation are maintained.

4. KNOWLEDGE RETENTION/EXTERNAL DEPENDENCY
   Depending exclusively on external, ecosystem partners for certain activities can create vulnerability and dependencies. This will need to be mitigated from a planning and contractual perspective.

Whilst these challenges may present significant hurdles, the benefits substantially outweigh the risks. Taking a proactive approach to identifying and mitigating risks enables a more seamless transition into a talent ecosystem.
START DEVELOPING YOUR TALENT ECOSYSTEM

1. Map your critical capability requirements as an organisation and by function/domain.

2. Identify the elements of these capabilities that need to be managed and developed in-house and which capability areas need to be complemented through outside partners.

3. Identify partners that would complement specific skill areas to give you the required competitive advantage.

4. Develop an engagement plan with these partners, both as an organisation and by function/domain.

5. Enable your internal leaders and broader workforce to manage and maximise these partnerships.

6. Continuously review how the effectiveness and value creation of these partnerships for your organisation, and adapt as required.
# Talent Ecosystems Readiness Assessment

**How Proficient Are Your Talent Ecosystems Management Practices?**

The below survey will help you assess the extent to which your organisation reflects a best practice model when it comes to managing talent ecosystems. Use the following simple scoring system to rate your organisation.

- **2** = True for our organisation
- **1** = Partly true for our organisation
- **0** = Not true for our organisation

<table>
<thead>
<tr>
<th>Shifts</th>
<th>Score</th>
<th>Description</th>
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<tr>
<td>1</td>
<td></td>
<td>Does your organisation have a clear view on current and future capability requirements to compete, be distinctive and succeed in the market?</td>
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| 2      |       | Does your organisation have a clear view of workforce segments (i.e. a distinction between Innovation, R&D and other functions) and how capabilities are sourced in each of these segments?  
For example:  
R&D/Innovation  
Marketing/Sales/Services  
Corporate Services (HR, Finance, IT, Legal)  
Supply Chain, Distribution |
<p>| 3      |       | Is the Talent Ecosystem approach part of your Employee Value Proposition? |
| 4      |       | Are you promoting your partnership arrangements to candidates and/or employees as part of your Employee Value Proposition? |
| 5      |       | Does your organisation have an engagement strategy to partner with vendors, freelancers, universities, research organisations, competitors, etc.? |
| 6      |       | Do you have a cost-effective and productive way of leveraging talent resources to gain requisite and critical capabilities to succeed in the market? |
| 7      |       | Does your organisation proactively engage with competitors and customers? |
| 8      |       | Is there a policy or structured way of cooperating with competitors to foster innovation? |
| 9      |       | In your organisation, can internally created innovative ideas incubate without cultural constraints? |
| 10     |       | Does your organisation have a deliberate and clearly documented approach to Talent Ecosystems management (e.g. integrated in the annual strategy and planning process, clear governance/accountabilities) |
| 11     |       | Can your organisation identify all relevant data to manage the Total Workforce (employees, partners, freelancers, crowd-sourced resources, contractors, etc.)? |</p>
<table>
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<tr>
<th>Shifts</th>
<th>Score</th>
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<tr>
<td>12 Can your organisation determine and manage talent ecosystem data such as total cost, performance, expertise/skills/experience, demographics, etc.) to gauge their value?</td>
<td></td>
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<tr>
<td>13 Is engagement for your Talent Ecosystem driven by individual contacts or is there a deliberate organisational approach to engagement with your Talent Ecosystem?</td>
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<tr>
<td>14 Do you encourage employee mobility throughout your Talent Ecosystem to foster relationships and employee career development?</td>
<td></td>
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<tr>
<td>15 Does your organisation leverage capabilities / talent made available through the Talent Ecosystem as part of your corporate development plan and M&amp;A strategy?</td>
<td></td>
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<tr>
<td>TOTAL</td>
<td></td>
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If your organisation scored ...

20 – 30 points: Best practice organisation – your capability management and engagement for today and the future is clearly mapped out.

10 – 19 points: Talent Ecosystems management and engagement is in need of greater attention.

0 – 9 points: Poorly positioned for the demands of Talent Ecosystems management and engagement.
ENDNOTES
8 Harvard Business Review. R&D Strategy, 2012 – http://www.hbs.edu/faculty/Publication%20Files/12-095_fb1bdf97-e0ec-4a82-b7c0-42279d4d00e.pdf

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Muscio & Vallanti ‘Perceived Obstacles to University–Industry Collaboration: Results from a Qualitative Survey of Italian Academic Departments’ 2014
http://dupress.com/articles/the-open-talent-economy/
FOR MORE INFORMATION

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Charlotte Harding is a Principal in Mercer’s talent business. She was seconded to the World Economic Forum from 2012-2014 and was the primary author of the World Economic Forum’s Human Capital Report, which benchmarked contributors and inhibitors to the development of human capital across the globe. Her research focused heavily on the role of education and lifelong learning in skills development, working with some of the leading academic experts around the world.

Charlotte has also led workshops and high level discussions in many different countries over several years looking at derailers and disruptors in education systems. She has advised numerous NGOs and policy bodies on education and skills; contributing to the education pillar of the Global Youth Wellbeing Index, design of the Global Age Watch Index and more recently classification of skills for the European Commission. She has also contributed to the development of the Global Gender Gap Report 2012, Talent Mobility Good Practices: Collaboration at the Core of Driving Economic Growth, The Human Capital Report 2015 and Disrupting Unemployment: Business-led Solutions for Action, and the upcoming Future of Work, all with the World Economic Forum.

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Working with a range of clients across the public and private sectors, Courtney’s has experience in job analysis and evaluation; role design; organisational structure re-design and providing executive feedback on leadership development programs. She also has in-house organisation development, leadership development and quantitative market research experience in a range of organisations.

Courtney has strong analytical and research capabilities, including data collection, verification, as well as data modelling, analysis and reporting, and has contributed to the development of two Mercer white papers and has published an article in an international, peer-reviewed journal. Courtney holds a Bachelor of Arts, Honours (major in Psychology) from the University of Sydney and a Masters of Organisational Psychology from the University of New South Wales.

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