

Board Perspectives

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The talent advantage: Does your organization have it?

An organization's "talent advantage" refers to its superior ability to attract, develop, retain and effectively deploy skilled employees and manage a multigenerational workforce compared to its competitors. The board should expect management to pursue it.

A talent advantage is the mark of an enterprise that captures the hearts and minds of its talent and most skilled people as it deploys them in pursuing its mission. In a business context, it means the organization possesses a workforce with unique capabilities, expertise and adaptability that drives higher performance, innovation and long-term success.

It also means that the company invests heavily in continuous learning, offers competitive compensation, and fosters a collaborative, inclusive culture that acts as a magnet for talent. As a result, it brings innovative products to market faster than competitors, responds more effectively to industry changes and maintains higher employee engagement. Simply stated, it offers a great place to work.

Does this describe your organization? Or is it a pipe dream? Or a goal worth pursuing? Whatever the reaction, most leaders would agree that organizations with the best talent usually are the ones that prevail in the marketplace. To that end, the board plays an important role in developing talent strategy and in overseeing its execution.

Assess the effectiveness of talent management

Following are indicators that directors can use to gauge whether their organization possesses a talent advantage and identify opportunities for improvement:

- **Employee engagement and satisfaction scores:** High levels of employee engagement and satisfaction indicate a positive, constructive workplace culture, which is essential for retaining top talent.
- **Innovation and productivity levels:** Indicators of innovation, such as the number of new products launched or patents filed, alongside productivity metrics point to how talent is impacting overall organizational growth and performance.
- **Market position and competitiveness:** The organization's standing in the industry compared to its competitors, particularly regarding talent-related factors, may signal a meaningful talent advantage.
- **Talent acquisition metrics:** A talent advantage often is reflected in the ability to attract high-caliber candidates efficiently. Consider analyzing metrics such as time-to-fill, quality of hire and acceptance rates.
- **Retention rates:** Low turnover rates, especially among high performers and critical skilled positions, versus industry norms signal a positive work environment and effective talent management.
- **Performance management systems:** Robust performance appraisal processes and feedback mechanisms keep individual goals aligned with organizational objectives and drive accountability for on-strategy results.
- **Diversity and inclusion metrics:** A diverse workforce enhances creativity and problem-solving. Diversity metrics across various levels and functions that ensure equitable hiring and promotion practices should emphasize identifying and addressing skills gaps.

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- **Learning and development (L&D) opportunities:** The deployment of professional development programs, mentorship processes and upskilling initiatives is critical to equipping employees with the skills needed to adapt to changing demands.

With respect to the HR function, directors should inquire as to how its activities drive desired business outcomes like increasing revenue and profitability as well as enhancing shareholder value. Rather than looking at measures focused on compliance, cost containment and task completion (think time-to-fill), focus on metrics that establish talent-to-value correlations (think time-to-full-proficiency).

Skills-based agility measures are getting more traction because they quantify how well organizations can quickly identify and close skills gaps and deploy people to meet changing business needs. In today's optics, this is where the game is won. **The board should be less interested in hiring numbers than in whether the organization possesses the human-agent AI skills** needed to capture a major market opportunity. This is about the skills advantage, a critical subset to the talent advantage.

Talent versus skills

A talent advantage is a strategic concept, whereas a skills advantage serves as a tactical enabler within that broader strategy, ensuring the workforce possesses the necessary capabilities to address both current and future business challenges. Talent encompasses broader attributes such as leadership, strategic and analytical thinking, creativity, emotional intelligence, and cultural fit, whereas a skills advantage focuses on equipping employees with the technical and specialized expertise required for effective strategy execution. This tactical focus enhances the talent advantage by fostering a more agile and future-ready workforce.

Organizations that can accurately identify their existing skills and the skills they need and swiftly develop plans to acquire those skills — whether through building, buying, borrowing or automated tools (bots and AI agents) — will gain a competitive edge over those that struggle to do so. Given the rapid pace of change, it is essential for the board to ensure that HR and specific L&D functions excel in this area to continuously optimize the workforce. Failure to do so increases risks related to employee retention and engagement, as recruiting necessary skills in a high-demand market can be costly. Ultimately, lacking a skills advantage hampers an organization's ability to respond quickly to market dynamics.

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Look for effective feedback mechanisms

A talent advantage is impossible to achieve without a management team that genuinely wants feedback, intends to listen to it and internalize its implications, and is committed to act proactively and timely to implement the necessary changes. With that as a vital prerequisite, effective feedback mechanisms should be established that enable management to gauge employee sentiment, capture unvarnished input and identify areas for improvement.

Employee engagement platforms, 360-degree feedback programs, one-on-one check-ins, open forums and town halls, and recognition programs with peer feedback are all useful approaches for gathering key insights. So are AI-driven applications to analyze employee behaviors and continuously monitor employee feedback and communication channels to gauge sentiment and engagement levels. The best feedback mechanisms have four key attributes:

- **Anonymity** to ensure honest and unbiased responses without fear of retribution;
- **Actionability** through employee trust in management's intent to address feedback;
- **Frequency** through a regular feedback cadence that keeps engagement high and issues current; and
- **Transparency** from management's communications regarding how feedback is interpreted and action is taken.

If employees are truly engaged through regularly distributed formal surveys and/or shorter pulse surveys, the feedback process will drive a continuously improving employee experience that is foundational to creating a culture where people want to work, team, innovate and succeed together. Engagement builds trust and the alignment necessary for long-term organizational effectiveness and competitive advantage.

Setting expectations for talent management

To effectively oversee talent strategy and execution, the board should collaborate with the CEO and the chief human resources officer (CHRO) to align talent management objectives with overall strategic goals. Major structural, investment and mindset overhauls are needed in most HR groups, where as much as 70% of budgets still fund operations, payroll and traditional hiring activities.

To avoid operating as a parking brake on innovation, HR budgets should shift the focus toward organizational design, reconfiguration

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of skillsets and roles, and recalibration of compensation strategies to reflect the rising value of human contributions in AI-driven organizations. And CHROs should take the initiative themselves. Protiviti research indicates about half of these executives expect less than a quarter of HR activities to be AI-enabled within three years, even though a substantial majority of those activities are well-suited for automation. Clearly, there is work to do.

In addition, the board should oversee succession planning for the CEO and key leadership roles to ensure business continuity and a strong executive bench. The compensation committee or nominating/governance committee often is assigned this responsibility of ensuring that high-potential employees are being identified, developed and mentored as future leaders.

For the board, talent management objective setting, strategic alignment and robust succession planning are table stakes. **The challenge directors face in today's environment is setting the right expectations of the CHRO and management team for addressing current and future human capital needs.**

In responding to this challenge, following are six expectations the board should consider in setting a forward-looking tone at the top:

Embrace a value-driven mindset. Directors should expect proactive insights from HR leaders and senior management, as HR's future value lies in organizational design, role redesign, workforce planning and advanced human capital analytics. This shift requires new skills and investments, as HR leaders must advocate for reinvestment rather than accept budget cuts. It takes courage to argue that savings from AI should be reinvested in HR for growth and performance, along with the humility to abandon outdated processes that lack real enterprise value. Adopting a business-oriented approach will help secure HR's position alongside the CFO, COO and CIO in evaluating and prioritizing automation investments.

Reframe labor and talent needs as a skills-availability issue.

There is a clear divide between general labor availability and the ability to recruit specific high-demand skills. While AI adoption has increased the supply of early-career generalists, roles like chief AI ethics officer and cloud infrastructure architect are challenging to fill. Addressing this issue requires focusing on skills gaps through skills-based workforce planning, dynamic role design, differentiated compensation structures, and targeted recruitment and development investments.

Six expectations of HR the board should consider:

1. Embrace a value-driven mindset.
2. Reframe labor and talent needs as a skills-availability issue.
3. Address generational distinctions in demands and expectations.
4. Take control of the AI-impact-on-the-workforce narrative.
5. Develop next-gen L&D capabilities and continuously redesign job roles.
6. Periodically report on talent and culture reviews.

Address generational distinctions in demands and expectations. Addressing the challenges of a multigenerational workforce, along with the impact of demographic changes, is critical as workforces now span up to four generations, each responding differently to AI enablement, career development and adjustments to work arrangements. The board should ensure management is fostering effective collaboration across generationally diverse teams. Since AI adoption comfort levels and training needs differ by age group, HR should focus on tailored AI upskilling and equitable participation to unlock the technology's full potential.

Take control of the AI-impact-on-the-workforce narrative. Companies that prioritize AI governance and change management upfront experience better return on investment and engagement, unlike those applying a “fire, ready, aim” approach. Without HR shaping the AI narrative, employees may fill the void with fear-driven assumptions. Differentiating between human-in-the-loop (reviewing and approving AI outputs) and human-in-the-lead (defining AI's purpose, setting and monitoring its boundaries, and applying experienced judgment interpreting its results) is gaining traction and is worth considering when developing messaging.

Develop next-gen L&D capabilities and continuously redesign job roles. Most job roles have been static for years. The integration of AI into workflows necessitates ongoing adjustments to roles, responsibilities and reporting structures. Existing tasks must be evaluated for automation and reassigned accordingly. Boards should expect HR to advocate for a culture of continuous L&D as a strategic tool to enhance employee skills in line with industry advancements. While an agile L&D capability can provide a competitive edge, many functions still focus on compliance and content delivery rather than surgically-targeted upskilling. To meet the demand for AI skills and technological agility, HR must improve methods for identifying skills gaps, mapping development pathways and facilitating skills acquisition, including consideration of partnerships with educational institutions for upskilling in emerging technologies.

Periodically report on talent and culture reviews. Executive team talent reviews give the board valuable insights into leadership strength, skills gaps and the effectiveness of strategies to address them, as well as a look at future workforce needs (e.g., data scientists, AI specialists, enhanced digital skills and critical thinking skills). Directors should also expect regular assessments of

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workplace culture and its impact on the employee experience. A positive culture that values employee input and fosters engagement is essential for sustaining a talent advantage

By setting the above expectations, the board lays the foundation for effective oversight of talent strategy and execution, ensuring alignment with organizational goals and fostering sustainable performance, all for the purpose of achieving a talent advantage that contributes to long-term success.

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