

Talent Management Survey 2009

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Introduction

The global recession has significant implications for how talent is managed; not least due to the increased supply of talent due to widespread redundancies. Organisations need to manage the twin and often conflicting pressures of operating more efficiently, whilst charting a course to recovery. This survey reports the views of senior HR practitioners from 189 UK organisations employing over 1.5million people, (equating to over 5% of the total UK working population) on four themes:

1. Understanding current talent management strategy in the light of the economic downturn.
2. What are the key talent management challenges for the year ahead?
3. The extent to which organisations measure and focus on the business impact / ROI of talent management initiatives
4. Emerging trends for the year ahead.

Concluding remarks and recommendations are provided at the end of this report.

Defining Best Practice

Much has been written in recent years about the importance of talent management as a key area of HR activity and the need for the HR function to act as a strategic partner, leaving behind the traditional, more reactive approach. Leading HRM researchers such as Becker and Huselid (2006), Bowen and Ostroff (2004), and Guest (2003) have highlighted a number of key attributes of a strategic HR system (of which talent management is a key part) which are related to greater business impact, including:

- Clear alignment with the wider business strategy
- Alignment of the different HR processes (e.g. recruitment, development, succession) into a mutually reinforcing, cohesive approach
- Focus on ensuring thorough and consistent implementation of HR practices
- Measuring the return on investment of HR spend in key areas such as talent management, enabling a compelling case for investment in activities critical to business success.

Summary of Key Findings

The results of the Survey highlight a mixed picture of talent management best practices in the UK. The key conclusions to emerge from the research are:

- Only a minority of respondents reported following best practice in terms of:
 - o Clear alignment of talent management strategy with business objectives (44%)
 - o Taking an integrated approach across talent management processes, e.g. linking recruitment, development, succession planning (28%)
 - o Conducting assessment of the return on investment of talent management (18%)
 - o Talent management processes being implemented 'very well' (12%).

- The overall results suggest that a small minority of organisations take a proactive and strategic approach to talent management, factoring in emergent economic conditions. However, the majority of organisations reported adopting a more reactive and process-focused approach to talent management rather than acting as a strategic partner and speaking the language of business more widely.

- Only 32% of respondents have adapted their talent management strategy to take account of the present economic context. This reinforces the concern that the widespread reactive approach in many organisations risks unpreparedness for the challenges of the recession, thereby extending the recovery process.

- Whilst 58% of respondents indicated they will seek to make efficiencies in their talent management spend, 42% may be lagging behind in this regard. Furthermore, when efficiencies are being sought many talent management practitioners are not able to demonstrate the return on investment of their activities, so a 'slash and burn' approach to budgets which are hard to defend may cause lasting damage to organisational capability.

Overall, the findings indicate a small number of organisations are adhering to and adopting talent management best practices. For a much larger group of organisations a tactical and reactive approach currently prevails. There are clear opportunities for improved practice. A number of specific lessons pertinent to practitioners in different industry sectors and organisations of different size are reported on later.

Results

The survey focused on four key areas:

1. Understanding current talent management strategy in the light of the economic downturn
2. What are the key talent management challenges for the year ahead?
3. The extent to which their organisations measure and focus on the business impact / ROI of talent management initiatives
4. Emerging trends for the year ahead.

1. Talent Management Strategy

This section of the survey evaluated different aspects of the organisation's talent management strategy; including how closely it was aligned to business objectives, whether it had been updated as a result of the economic downturn, where efforts were focused and whether assessment data was re-used throughout the employee lifecycle.

Whilst a sizeable minority of respondents (44%) indicated there were strong links between talent management strategy and business objectives, somewhat fewer described these as clearly related to sources of competitive advantage or differentiation (31%). This suggests that in many organisations, there remains a significant opportunity for HR's profile as a serious business partner to be improved through clearer, explicit links to business issues.

Interestingly, given the economic climate in the UK, only 32% reported having made significant efforts to update talent management strategy in light of the prevailing conditions. For 21% of organisations, talent management tended to be exclusively focused on the top roles in the organisation, whilst a more inclusive approach was evident elsewhere, with significant tailoring for different employee groups reported by only a third of respondents.

Looking at how efficiently assessment data is gathered through talent management activities, there was evidence of a 'measure it and file it' mentality often associated with traditional approaches to employee assessment. Only 22% of respondents indicated that data collected for one purpose (e.g. recruitment) was drawn upon to support further activities downstream in the talent lifecycle (e.g. development). A similar proportion indicated there was good alignment across the different stages of the talent lifecycle, (i.e. recruitment, development and succession all link in a coherent and explicit way using common measurement frameworks and processes). This suggests that for the remainder of organisations there may be many gains to be achieved from a joined-up and strategic approach.

“Just 32% of respondents updated their talent management strategy in light of the prevailing economic challenges.”

Results (Continued)

Differences by Sector and Size

The analysis revealed some notable industry sector differences. In particular, public sector organisations report weaker links to overall objectives than other sectors and talent strategy was less likely to have been updated in light of the economic context. Conversely, professional service organisations reported a much stronger level of alignment with business objectives and strategy, responding to the economic climate and delivering an open and transparent approach to managing talent.

Considerable sector differences are evident in the level of integration of aspects of the talent lifecycle. Whilst financial services organisations reported strong links to business outcomes, they appeared relatively 'wasteful' of data gathered in talent activities by failing to utilise information across talent processes (e.g. recruitment, development, succession planning).

Differences were also observed by organisational size. In larger organisations one might expect a greater level of tailoring for different employee groups, the findings suggest that in reality it is smaller organisations that appear to manage talent more flexibly. Respondents from larger organisations reported a propensity to 'one-size-fits-all' talent solutions which may lack sensitivity to the diverse needs and capabilities of employees.

Similarly, larger organisations also reported significantly less alignment of different talent management processes with each other and were less likely to re-use data gathered throughout the talent lifecycle. Given the greater level of resources available to larger organisations, this would suggest there is a significant opportunity for a more joined-up and efficient approach. This could be an unfortunate side effect of the 'silo' organisational structures prevalent in many HR functions (e.g. Resourcing being separate from Learning & Development).

In relation to your organisation's talent management strategy, to what extent would you say the following are true?

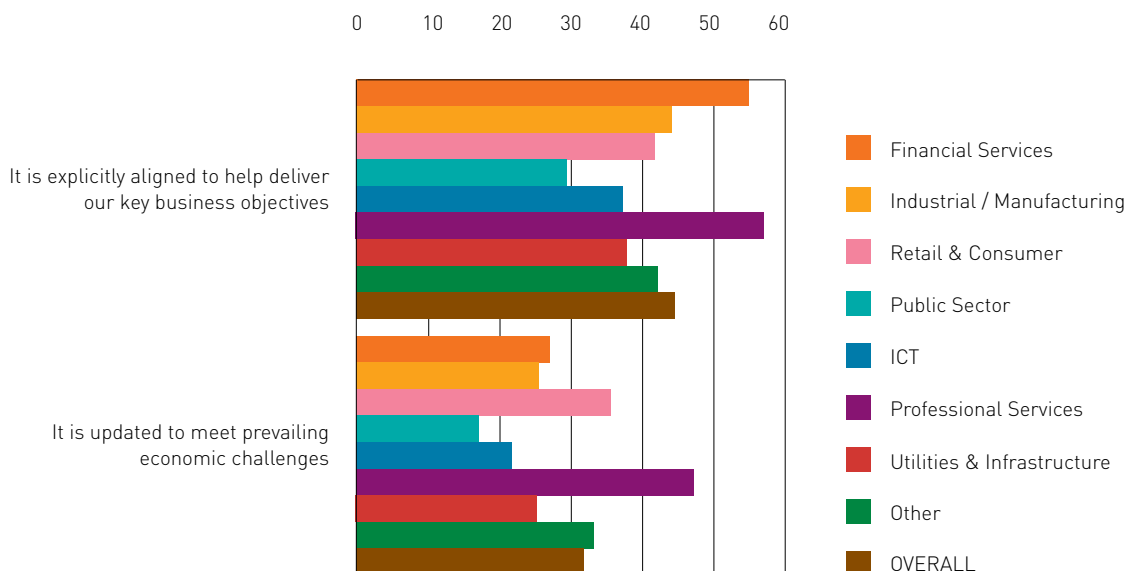


Figure 1

2. Talent Management Challenges Ahead

So what did respondents cite as their key talent management challenges for the year ahead? Improving talent management practices was reported as a key development need for over 40% of our organisations surveyed.

It is clear from the results that 'developing high performance teams' is a key area for development, which may have been relatively neglected in recent years during the 'war for talent'. Despite the implications of the economic downturn in terms of easing the supply of talent, respondents nevertheless indicated a continuing need to improve the actual processes used for sourcing new talent externally.

In the new economic environment, engaging with and managing the performance of a smaller workforce will be critical, whilst at the same time achieving greater efficiency from their talent management budget. While many organisations may be reasonably satisfied with their assessment of talent per se, over half reported a need for improvement in how they apply this information, for instance within succession planning and managing change, in order to reap the benefits.



Figure 2

Results (Continued)

Differences by Sector and Size

Financial services organisations seem to be less focused on sourcing new employees externally – perhaps unsurprisingly – while this remains a significant issue for respondents from the industrial / manufacturing and utilities sectors. The results may indicate some over-confidence in the financial services sector in this regard, given the potential for these organisations to face greater competition for talent as potential employees may be increasingly attracted to employment in other sectors perceived to be more stable.

Engagement is of particular concern in the public sector, as are developing high performance teams and identifying talent. In general, respondents have highlighted a need for significantly improved talent management within the public sector in order to reach the level of sophistication they believe is needed to help their organisations be successful. Utilities, a sector currently less beleaguered than other sectors, reported identifying potential and managing performance as key issues.

In terms of organisational size, the results suggest that the larger the organisation, the greater the need for effective processes to develop high potential people and high performance teams. Conversely, in smaller organisations it is likely there may be less of a perceived need to formalise and focus on these processes due to the lower number of people involved.

% of respondents indicating area of talent management needs development to meet challenges in the year ahead

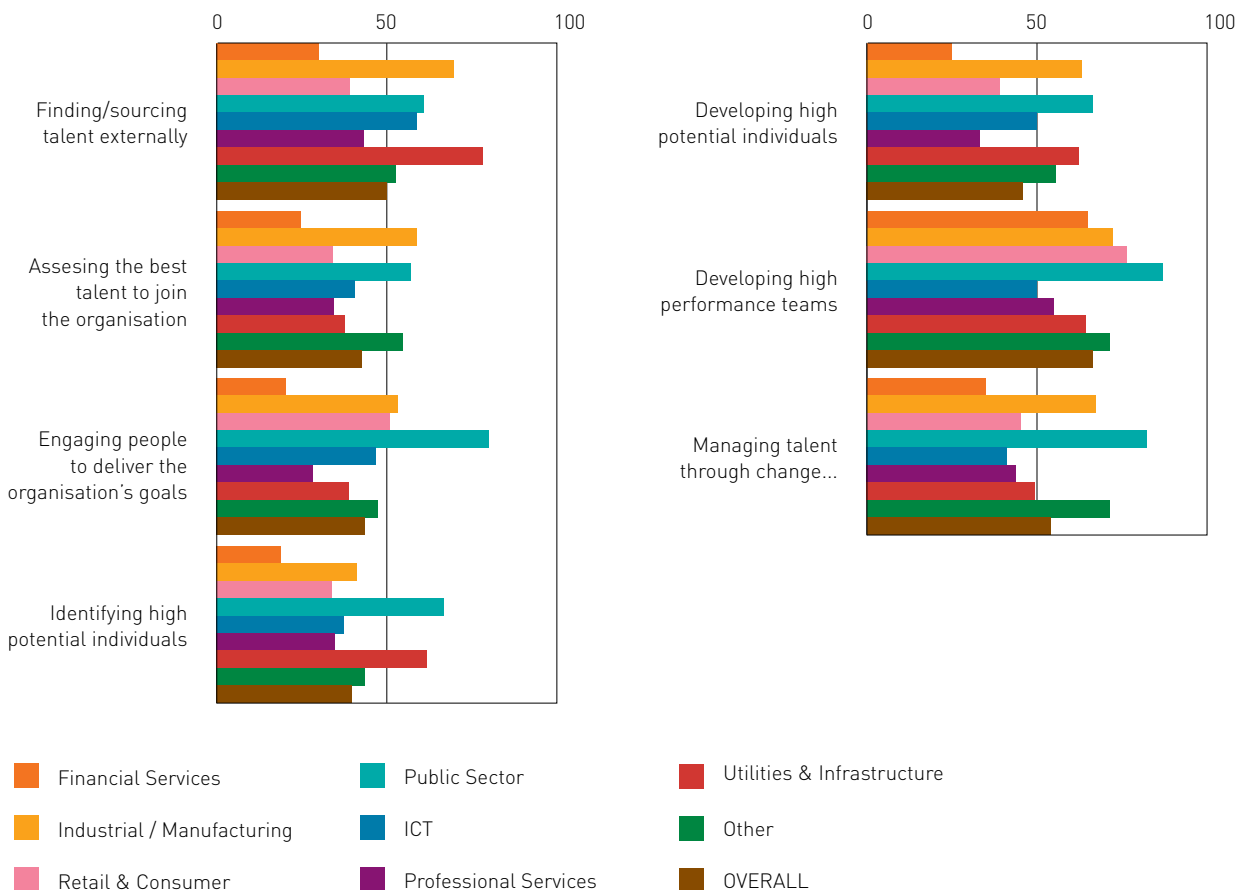


Figure 3

3. Implementation and ROI

The next section of the survey explored the extent to which organisations focus on ensuring the effective implementation of talent management processes and the need to assess the ROI of these activities in order to understand, focus and deliver the intended business impact.

In line with the writing of David Ulrich and others, it is widely considered best practice for HR and line managers to deliver key processes in partnership. Whilst this is the case for a majority of respondents (58%), a significant minority indicated this does not occur. Only a small number reported having outsourced their talent management activities, perhaps indicating a desire to retain direct control given the strategic importance of talent.

Human resource management research has found consistency of implementation to be a key indicator of the subsequent impact of processes on business performance. 30% of the respondents reported inconsistent implementation, whilst a further 58% described less than perfect implementation. Only 12% of respondents described implementation in unambiguously positive terms. The results indicate that a much stronger emphasis on thorough implementation of talent management processes is likely to be needed within organisations, in order to realise the full benefits of the time and resources invested.

A clear positive from the results is that almost half of responding organisations measure the relationship between talent management interventions and actual performance of individuals. This is clearly indicative of an emergent performance focus within HR. However, this often appears not to extrapolate to the business or organisational level in many cases, which is the level at which business cases are made for most investments (e.g. technology, operations, etc.).

Talent management processes are implemented by...

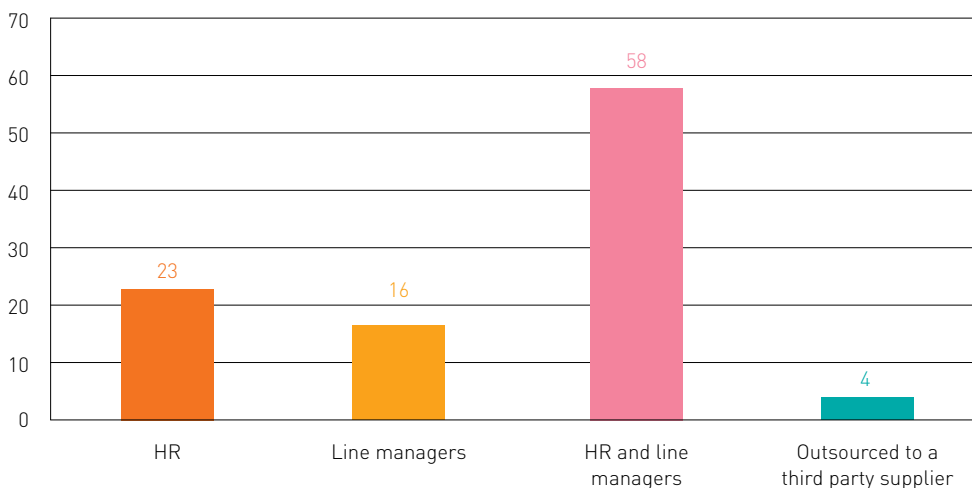


Figure 4

Results (Continued)

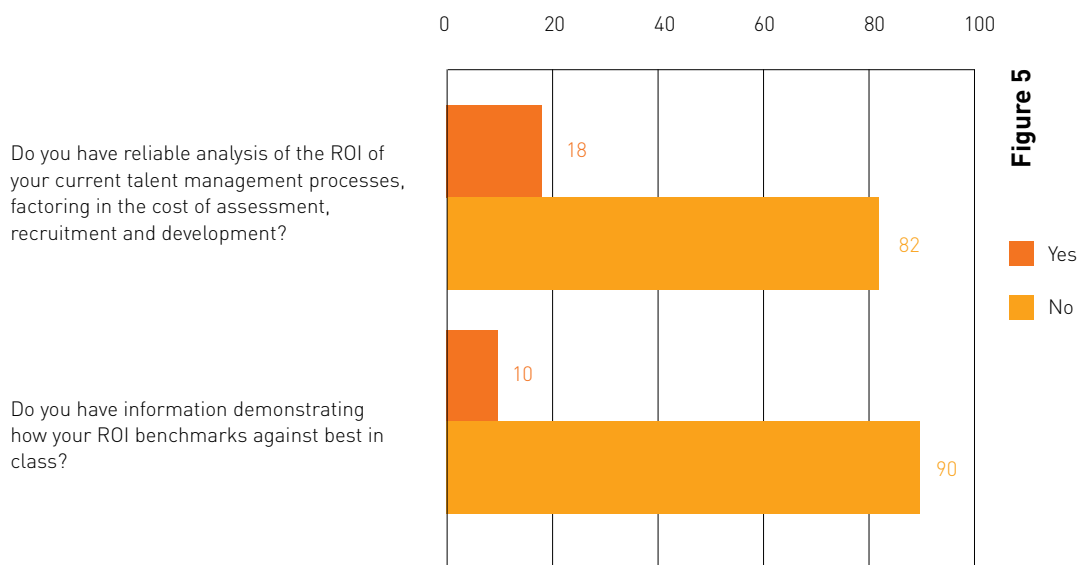
The lack of focus on measuring return on investment, as shown in figure 5 is a concern. Clearly a small minority of organisations do analyse and benchmark the ROI of their talent management activities. As a result, they will be better positioned to defend budgets in the current economic climate and ensure a focus on the strategically important people issues. Additionally, they will be better equipped to refine and develop their processes through better quality, data-driven decision-making that will stand up to scrutiny in the Boardroom. These points were evident in the results, as those organisations measuring ROI tended to consistently report greater levels of adaptation to the emergent economic context and more thorough implementation of processes.

Conversely, 82% of respondents reported the absence of reliable ROI analysis of their talent management activities, and 90% were not in a position to benchmark their investments against best in class. The implications are that decisions are made without reliable data, opportunities to improve may be missed and mistakes repeated and the business as a whole will be unable to make the link between investment in talent management and organisational return.

These results indicate that the capability to analyse the ROI of talent management practices is a major development need for HR practitioners. The danger is that future investment in talent management will be at risk of cost-cutting and HR will be unable to articulate to the business why it is needed (even when the processes themselves may be of a good quality) and the subsequent organisational benefits.

“82% of responding organisations did not have a reliable ROI analysis of their talent management activities”

Measurement of Return on Investment (ROI)



4. Emerging trends

The following section relates to how respondents believe their organisations are adapting to the present economic climate.

The majority of respondents (58%) seek to make efficiencies in their talent management spend and (25%) are considering outsourcing or partnering solutions as a way of achieving this. Given only 4% reported using an outsourced partner currently, this nevertheless represents the potential for a significant shift.

However, a significant proportion will continue to invest in their high potential group and 39% anticipate their talent management strategy will remain unchanged over the next 12 months, with 40% anticipating spending more than last year on talent management activities. How realistic this will be is unclear, given recent economic events suggest that cost reduction will be required in most organisations.

The results indicate 44% of respondents anticipate headcount reduction in the year ahead, with 45% identifying a need to refocus what they look for in employees given the specific challenges of the recession. However, this does indicate there may be a large proportion of organisations who do not appear to be adapting their approach and who may be unprepared for the challenges ahead which are anticipated to become more acute for the 'real economy' over the coming months. This suggests a risk of over-optimism amongst many respondents – a belief that it will be possible to ride out the recession without significant changes – or that they are unclear as yet what changes will actually be required.

The emergent macroeconomic data would suggest that a 'wait and see' approach is likely to be an unwise strategy. Rather, taking a proactive approach is likely to be key in helping develop the voice of HR within the wider organisation and protect investments in talent.

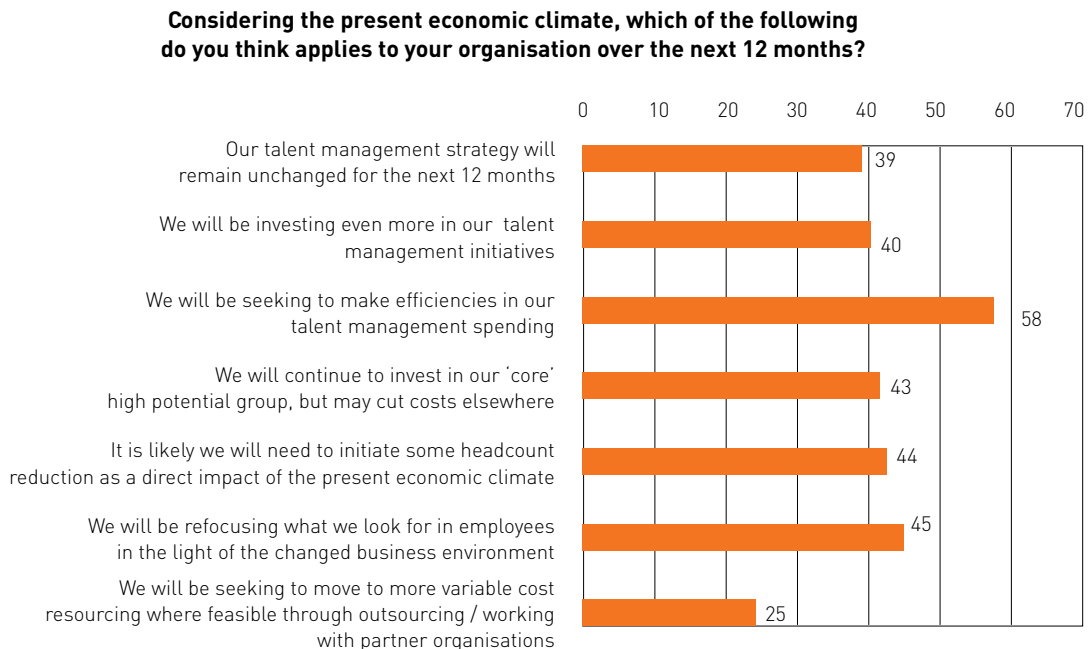


Figure 6

Results (Continued)

Differences by Sector and Size

The results for the financial services sector, perhaps surprisingly given the recent difficulties managing risk, indicated that they were the least likely to refocus what they look for in employees in light of the changed business environment. Linked to this, the majority were not anticipating changes to talent strategy over the next year, though in part this may be due to significant retrenchment having already taken place.

The public sector stood out as the least likely to seek efficiencies in talent management spending, with a particularly small appetite for outsourcing/partnering to deliver talent management goals. Though pressures on cash-flow may not apply to the same extent in the public sector, it is important for these organisations to keep a watchful eye on the political climate which may generate a need for greater efficiencies in due course.

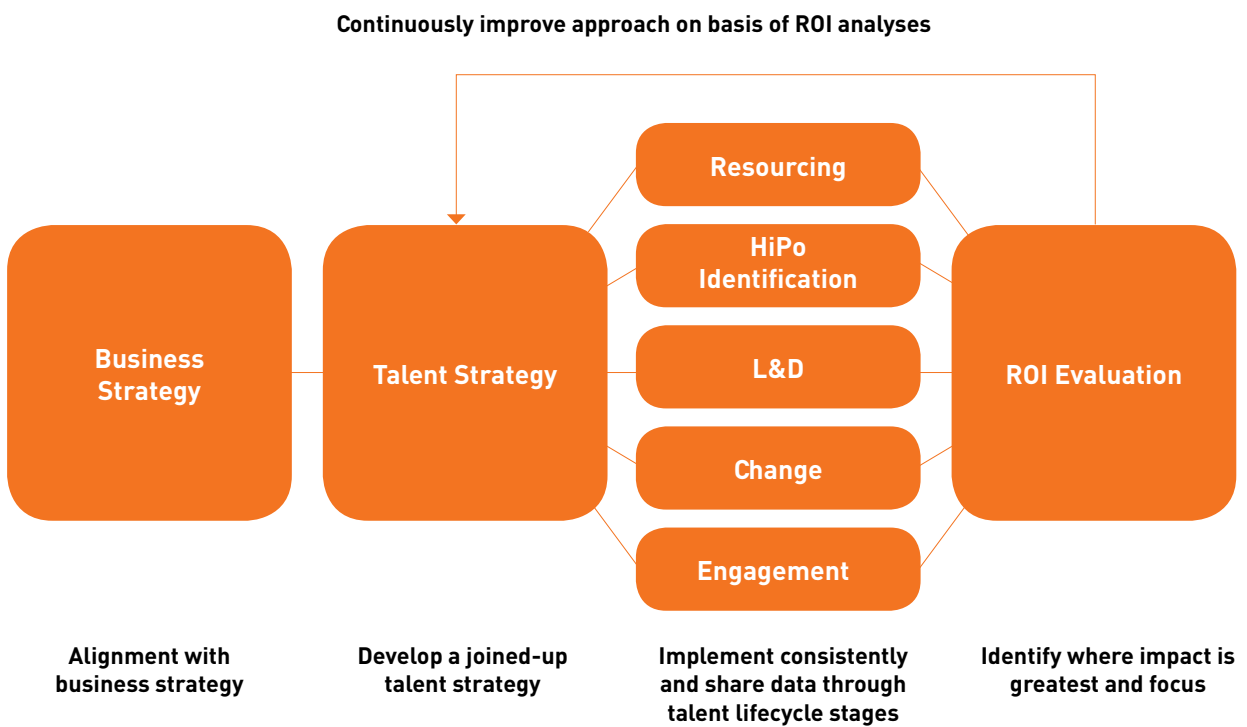
Industrial and manufacturing companies reported the greatest likelihood of headcount reductions over the coming year and may be especially sensitive given the economic context. However, both this sector and retail reported the greatest likelihood of refocusing what they look for in employees to help them adapt to the challenges ahead.

The results suggest that the impact of headcount reduction is likely to be most acute for larger organisations. Similarly, investment in ongoing development of people may be curtailed within larger organisations, though the results indicate some areas of talent management may receive greater funding where this is seen as strategically vital for recovery.

Learning Points

So what do the results actually tell us and what are the implications for HR practitioners?

Best practice strategic HRM (as espoused by leading authors in the field such as David Ulrich and Mark Huselid) indicates a number of key stages which are vital for optimising talent management:



Learning Points (continued)

With this best practice in mind, there are a number of practical learning points.

Understand the implications of the recession and adapt talent management strategy and practice accordingly

Talent management practitioners need to take account of the wider economic situation and its impact on:

- Organisational resources and budgets, in particular pressure on HR to make cost savings.
- The need to get the best out of the incumbent talent population, and the ability to select from an increased external talent pool.
- The need to refocus talent management to get through the recession and help position organisations for recovery.

Develop a joined-up talent strategy

Talent management needs to be approached as a strategic activity rather than a set of discrete, tactical processes. This should reflect the best practice elements of strategic HRM, with coordination between talent management processes to provide a mutually reinforcing and cohesive approach.

Implement talent management in an integrated and consistent manner

Significant opportunities exist for many organisations to improve the level of coordination across talent management processes. Ensuring that data captured in one stage of the talent lifecycle (e.g. recruitment) can be drawn on to support another (e.g. development) will help organisations gain optimum value for the time and money invested in activities such as assessment, as well as reducing costs. It is also vital to ensure that there is consistent and good quality implementation to maximise the business impact.

Measure HR's contribution and articulate this in business language

It is imperative for HR to speak the language of business. This requires conducting ROI evaluations of key processes and initiatives, in order to provide a clear account of HR's contribution to the organisation's success and to ensure the ongoing investment in talent management. The evaluation of what works and what needs improvement then provides a clear focus for continuous improvement.

Overall, the survey results indicate that whilst a relatively small number of organisations are delivering best practice talent management and adapting proactively to the new context, the majority of respondents identified the need for significant changes to the manner in which they manage talent. The global economic crisis will necessitate fresh thinking when it comes to managing talent, a greater focus on both cost and value, and a significant positive shift in the way HR partners with other business stakeholders.

Chairman's Statement

“The results of our survey support the hypothesis that HR professionals today need to be more creative and business-focused than ever as regards how talent is nurtured and developed. In today's tough conditions, talent managers will only be successful if they can take a novel and adaptive approach to their role, and still more importantly can demonstrate the value that this delivers to their business.

The use of objective assessment data to inform decisions about people has for a long time been regarded as a key to success. Assessment suppliers must now play their part in helping organisations by explicitly evaluating the value and return on investment to be gained from psychometrics and other talent management activities.”

Roger Holdsworth, Chairman Talent Q International Ltd



Talent Q provides innovative online psychometric assessments, training and assessment consulting, addressing talent management challenges throughout the employee cycle.

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