

08

talent management

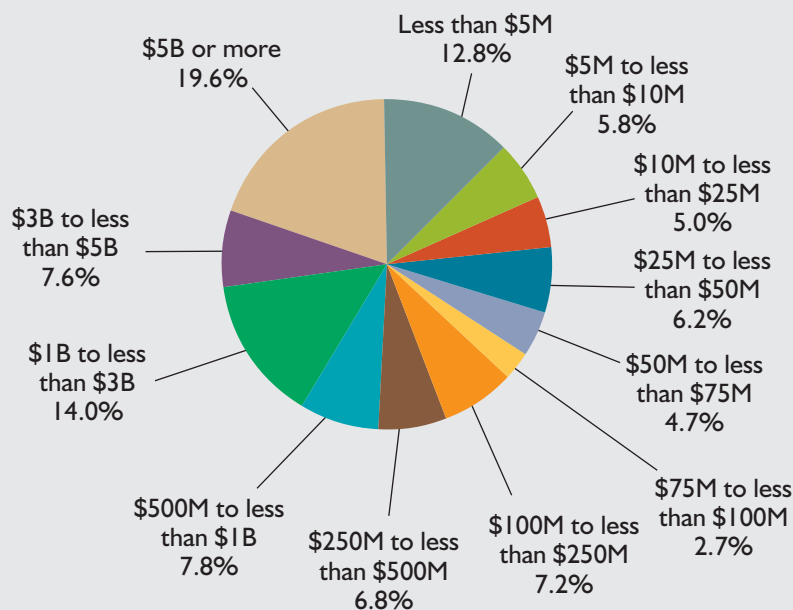
STATE OF THE INDUSTRY REPORT



EXECUTIVE SUMMARY

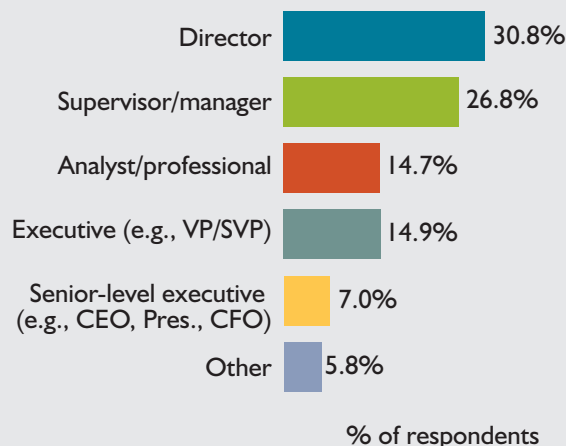
In early January 2008, an invitation was sent to 5,200 subscribers of *Talent Management* magazine. A total of 837 individuals responded to the survey. A wide cross-section of organizational sizes was included in the study. As seen in Figure A, approximately 30 percent of respondents represented organizations with less than \$50 million in revenue and more than 40 percent of respondents were from organizations with \$1 billion or more in revenue. Respondents also represented a wide variety of job roles and organizations of all employee sizes and industries. As seen in Figure B, almost 31 percent of respondents had a director-level position, approximately 15 percent were analysts and professionals, and 7 percent were senior-level executives.

FIGURE A: Organizational Size (Revenue)



N=516, Mean=\$1.6B, Median=\$375M

FIGURE B: Respondent's Level Within the Organization



% of respondents

N=556

FIGURE C: Talent Management Functions That Exist in Organizations

	Workforce planning	Recruiting	Retention	On-boarding	Performance management
Average - all industries	45%	77%	57%	55%	79%
Banking/financial/accounting	39%	80%	67%	57%	81%
Business services	45%	79%	63%	63%	66%
Computer manufacturing	33%	75%	46%	58%	83%
Education	53%	67%	39%	47%	67%
Government	59%	82%	49%	41%	79%
Insurance/real estate/legal	50%	68%	58%	60%	80%
Manufacturing (noncomputer)	58%	83%	62%	54%	90%
Health care/pharmaceutical	33%	89%	60%	58%	73%
Transportation/utilities	58%	75%	54%	58%	83%
Wholesale/retail/distribution	38%	83%	62%	76%	83%
Other	42%	79%	53%	59%	80%

	Competency management	Workforce analytics	Training and performance support	Succession planning	Compensation, rewards and benefits
Average - all industries	42%	23%	74%	54%	63%
Banking/financial/accounting	41%	19%	81%	56%	61%
Business services	39%	26%	63%	37%	68%
Computer manufacturing	42%	21%	54%	42%	58%
Education	28%	14%	72%	25%	56%
Government	49%	31%	74%	46%	56%
Insurance/real estate/legal	53%	28%	73%	68%	58%
Manufacturing (noncomputer)	52%	29%	75%	75%	63%
Health care/pharmaceutical	53%	20%	65%	58%	75%
Transportation/utilities	46%	25%	83%	75%	67%
Wholesale/retail/distribution	38%	14%	72%	69%	66%
Other	38%	27%	75%	50%	64%

N=826, rows do not total 100% as multiple answers were permitted

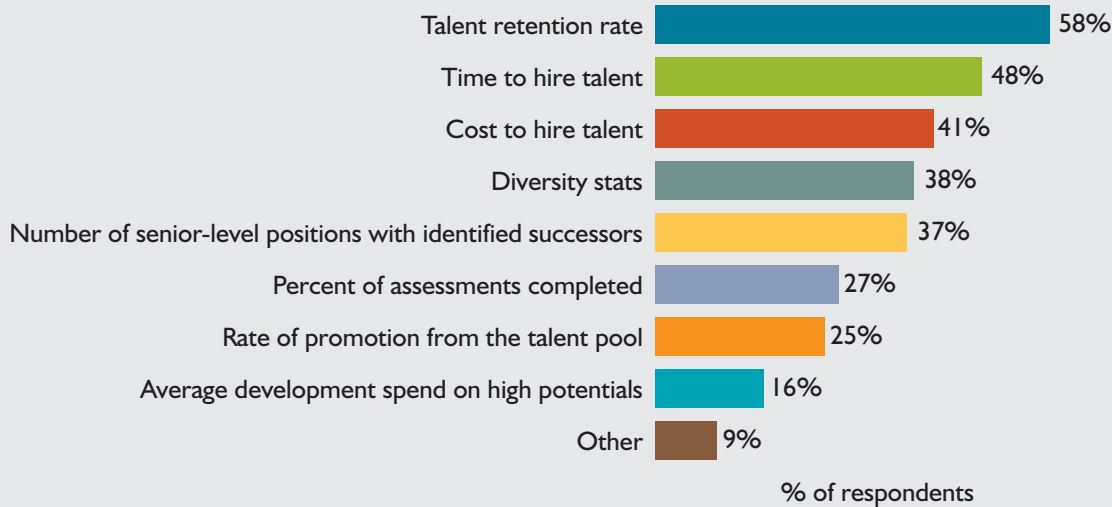
In looking at how organizations currently define their talent management programs, it is clear that a single definition does not exist across all respondents. Only 53 percent of organizations include all employees in their talent management programs. Based on this finding, one can see that almost half of organizations do not utilize the broad definition of talent management — the general practice of recruiting, developing, deploying and retaining all employees (e.g., talent) across the organization. Instead, these organizations have a narrower view of talent management, resulting in a smaller pool of targeted employees that are considered talent.

As seen in Figure C, the functions that exist within talent management programs vary widely across organizations. The most prevalent talent management functions are performance management and recruiting, representing 79 and 77 percent of organizations, respectively. Not surprisingly, recruiting remains a critical talent management element, as it is the foundation of any effective program. Another common area,

training and performance support, exists within 74 percent of organizations' talent management programs. More and more executives understand the positive impact that formal and informal training and support tools can have on employee productivity and overall competitiveness in the marketplace.

When asked to characterize their talent management programs, 65 percent of respondents stated that talent management within their organization is a somewhat integrated process and only 13 percent reported their talent management programs are fully integrated. Based on this finding, it is clear that many organizations have a long way to go in their effort to create integrated programs. Respondents also reported the level of automation is limited within each talent management process. Almost two out of five organizations, or 39 percent, stated that many manual processes exist within each of their talent management functions. Furthermore, 55 percent of organizations reported having some automation, and only 6 percent reported having fully automated talent

FIGURE D: Talent Management Metrics Used Most Often by Organizations



N=763, multiple answers were permitted

management processes. Process automation can be a time-consuming effort. As a result, many organizations often put it lower on the priority list.

As seen in Figure D, organizations are using a variety of talent management metrics. The most common metric, talent retention rate, is used by 58 percent of organizations. Time to hire talent and cost to hire talent are also very prevalent; 48 and 41 percent of organizations use them respectively. The least common metric from the provided list was average development spend on high potentials (16 percent). In taking a deeper look at higher-level metrics, only 24 percent of organizations are measuring the impact of talent management programs on business results. Although improving, measurement remains the weakest talent management function within organizations today.

Organizations also were asked about their biggest talent management challenge. Developing talent was the biggest challenge, cited by 62 percent of organizations. More and more organizations today understand that employees' top job satisfier often is career development, along with compensation. Employees want to be challenged and developed. If they are not, they often become less productive or contemplate leaving the organization. This mindset is especially true for highly talented professionals. To proactively address this issue, organizations are placing talent development as a very high priority.

In looking at collaboration, Figure E shows almost one-quarter of organizations' talent management functions do not communicate with each other (e.g., many functional silos exist) and only 7 percent of organizations report all talent management functions collaborate on a regular basis within their organizations. This finding is troubling, as effective communication and collaboration across talent management functions are important in the effort to find, train, deploy and

FIGURE E: Level of Employee Collaboration Across Organizations' Talent Management Functions

Collaboration Level	%
All talent management functions collaborate on a regular basis – no functional silos exist.	7%
A few talent management functions collaborate on a regular basis, but many functional silos exist.	47%
Most talent management functions collaborate on a regular basis, but a few functional silos exist.	23%
Talent management functions do not collaborate (e.g., many functional silos exist).	23%

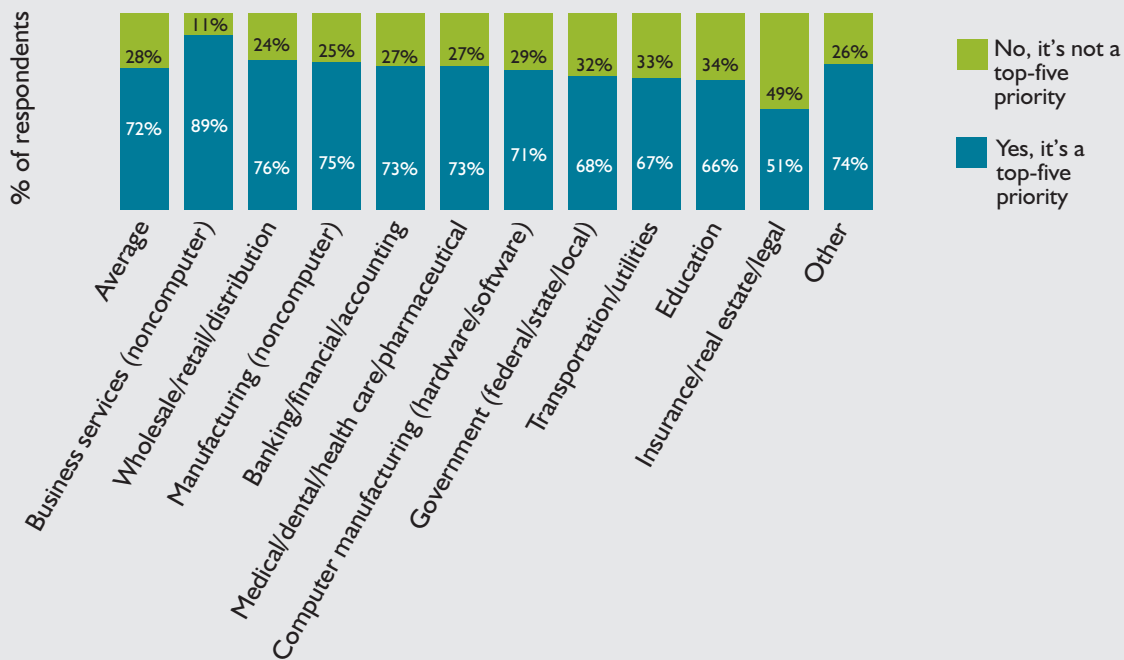
N=573

retain top talent; understand organizational needs; save costs; and share best practices.

Slightly more than one-third of organizations have a formal talent management strategy. This finding likely is caused by the lack of buy-in and collaboration across talent management, as well as the lack of a single executive responsible for decision making across all functions. For those organizations that reported having a talent management strategy, 56 percent have had a plan in place for two years or less. Only 25 percent of organizations reported having a strategy for five or more years. When asked how far into the future organizations plan for talent management needs, almost one-third of organizations plan only one year in advance and 46 percent plan at least two years into the future.

According to respondents, executive-level buy-in is extremely important to any talent management program.

FIGURE F: Ability to Attract, Motivate and Retain Top Talent a Top-Five Priority for Organizations' Senior Executives by Industry



It depends greatly on whether or not the ability to attract, motivate and retain top talent is a top priority for the organization. As seen in Figure F, 72 percent of senior executives, on average, believe talent management is a top-five organizational priority. This belief increases talent management professionals' ability to define and drive a talent management strategy, whether it be broadly or narrowly defined and executed within the organization.

In looking at talent management strategy-to-goals alignment, only 22 percent of organizations reported complete alignment of the talent management strategy with the goals of the organization. The majority, 61 percent, reported only partial alignment of talent strategy and organizational goals. Lack of alignment is a cause for concern as more and more executives understand that

people, not systems or assets, are the key reason for any organization's future success.

In drilling down on what drives talent management investments today, the much talked about leadership gap is the most common reason cited for increased investment by organizations. In 2008, organizations across all sizes have a planned median talent management spend of \$375,000 and planned median human resources function spend of \$3 million. In reviewing whether organizations plan to increase, decrease or keep human resources function and talent management investments the same in 2008, slightly more than one-third, or 36 percent, plan to either increase or significantly increase their human resources function investments. In comparison, 32 percent of organizations plan to either increase or significantly increase their talent management investments. ■

The complete version of the *Talent Management State of the Industry Report 2008* is now available for the special price of \$495.

For more information or to order your copy, visit www.TalentMgt.com/report.