Talent Management: Benchmarks, Trends, & Best Practices

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Principal Analyst

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About Us

- **Who We Are**
  - Premier research and advisory services firm focused on enterprise learning and talent management

- **Research Areas**
  - Enterprise Learning
  - Leadership Development
  - Performance and Talent Management
  - Career and Succession Management
  - Strategic HR Systems

- **Offerings**
  - In-Depth Studies and Reports
  - Research Memberships
  - Advisory Consulting
Agenda

- Research objectives and methodology
- Key findings
- Additional resources
- Q&A
Research Objectives

- To understand the maturity and effectiveness of talent management:
  - Governance
  - Roadmap for integration
  - Talent systems
  - Impact on talent metrics

- To provide benchmarks and best practices for HR executives.
Research Depth and Breadth

*Broad Reach of Companies*

- Survey conducted in March-April 2010
- Large Base of Respondents
  - 725 U.S. organizations
  - HR managers/directors
  - Cross-section of industries
- Company Sizes
  - 297 Small (100-999 employees)
  - 257 Midsize (1,000-9,999)
  - 171 Large (10,000 or more)
- Qualitative interviews with 17 companies to provide additional insights

### Top industries (listed alphabetically)

<table>
<thead>
<tr>
<th>Industry</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banking/Finance</td>
<td>7%</td>
</tr>
<tr>
<td>Media/Marketing</td>
<td>3%</td>
</tr>
<tr>
<td>Business Services/Consulting</td>
<td>10%</td>
</tr>
<tr>
<td>Non-profit</td>
<td>3%</td>
</tr>
<tr>
<td>Construction</td>
<td>3%</td>
</tr>
<tr>
<td>O/G/M</td>
<td>1%</td>
</tr>
<tr>
<td>Education</td>
<td>5%</td>
</tr>
<tr>
<td>Pharma</td>
<td>1%</td>
</tr>
<tr>
<td>Government</td>
<td>7%</td>
</tr>
<tr>
<td>Retail</td>
<td>4%</td>
</tr>
<tr>
<td>Healthcare</td>
<td>12%</td>
</tr>
<tr>
<td>Tech</td>
<td>5%</td>
</tr>
<tr>
<td>Hospitality</td>
<td>3%</td>
</tr>
<tr>
<td>Telecom</td>
<td>1%</td>
</tr>
<tr>
<td>Insurance</td>
<td>6%</td>
</tr>
<tr>
<td>Transport</td>
<td>3%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>16%</td>
</tr>
<tr>
<td>Utilities</td>
<td>1%</td>
</tr>
</tbody>
</table>
KEY FINDINGS
Overview of Key Findings

- Talent management overview
- Governance and organizational structure
- Roadmap to integration
- Impact of talent management
- Talent systems
Talent Management Framework

Talent Strategy & Business Alignment

Workforce Planning

Capability & Competency Management

Leadership Development

Succession Management

Career Management

Performance Management

Learning & Capability Development

Talent Infrastructure

Organization & Governance

Business Metrics & Scorecards

Total Rewards

Talent Acquisition
The Beginning: Creating a Talent Strategy

- Talent planning: identify talent challenges and solutions based on business goals
- Integration strategy: how to link talent processes
- Change management strategy: transitioning from current state to future talent approach
- Measurement approach: key talent metrics and how to evaluate success
Talent Strategies Today

More companies are defining and implementing their talent strategies.

46% are in the Intermediate or Advanced stages of their strategies.

- **Advanced**: 7%
- **Intermediate**: 39%
- **Novice**: 38%
- **No talent strategy**: 16%

2008:
- Advanced: 5%
- Intermediate: 32%
- Novice: 38%
- No talent strategy: 25%

2009:
- Advanced: 5%
- Intermediate: 38%
- Novice: 40%
- No talent strategy: 17%

2010:
- Advanced: 7%
- Intermediate: 39%
- Novice: 38%
- No talent strategy: 16%
Talent Strategies by Industry

Government is the least mature sector; banking & tech are most mature.
Centralized Talent Leadership

A TM executive drives the talent strategy & implementation

30% of U.S. companies have a dedicated TM role.
TM Executive Responsibilities

*TM exec’s drive many, but not all, talent initiatives*

Compensation and workforce planning are typically separate.

<table>
<thead>
<tr>
<th>Talent Strategy</th>
<th>78%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leadership Development</td>
<td>73%</td>
</tr>
<tr>
<td>Succession Management</td>
<td>72%</td>
</tr>
<tr>
<td>Performance Management</td>
<td>62%</td>
</tr>
<tr>
<td>Learning &amp; Development</td>
<td>62%</td>
</tr>
<tr>
<td>Career Management</td>
<td>56%</td>
</tr>
<tr>
<td>Competency Management</td>
<td>54%</td>
</tr>
<tr>
<td>Recruiting</td>
<td>54%</td>
</tr>
<tr>
<td>Workforce Planning</td>
<td>39%</td>
</tr>
<tr>
<td>Compensation</td>
<td>21%</td>
</tr>
</tbody>
</table>
TM Structure: Financial Services Co.

Comp is separate; Performance Mgmt reports into different channel.
TM Structure: Global Hospitality Co.

Corporate HR Structure

- EVP of HR
  - VP, Comp & Benefits
  - VP, Global TM & Leadership
    - Sr Director, Global Talent Management (4 direct reports)
    - Sr Director, Leadership (5 direct reports)

Regional HR Structure

- Regional President
  - VP of HR
    - Director, Talent Management
    - Director, Comp & Benefits

Corporate & regional structures; recruiting reports into country-level structure.

Perf mgmt, Succession, Career mgmt, Competencies
Business Ownership

- HR acts as the steward or facilitator of the talent strategy
  - Ensures structures and resources are in place
  - Implements tools, processes & systems

- Business leaders and managers must own talent management
  - Adopt talent management processes
  - Accept responsibility for results
Talent Management Maturity Model

Levels indicate increasing integration, business ownership & alignment

Level 4
Fully integrated processes and systems. Talent management is business-driven.

Level 3
Primary focus is on connecting. Single person or team responsible for talent goals & outcomes.

Level 2
Beginning to identify connection points. Several systems primarily integrated through manual processes.

Level 1
Individual talent processes or silos. May have systems in place but not connected.

28%
45%
20%
7%
Roadmap to Integration: An Example

- Define Competencies
- Revamp PM Process
- Select PM System
- Link PM to compensation & succession planning
- Link competencies to onboarding
- Create competency-based learning curriculum
- Link competencies to career paths
- Select & implement LMS

Timeline:
- 2008
- 2009
- 2010
- 2011
Measuring Success: Turnover

Turnover rates declined in 2009 due largely to the weak job market.

Overall turnover was 12% in 2009, half of which was voluntary.
Measuring Success: Promotions

Economic factors inhibited promotions in most companies

- 43% of U.S. companies promoted fewer than 5% of their employees.
Measuring Success: Self-Ratings

Lowest scores on development & future planning initiatives

Retention and hiring received relatively better scores, but still low.

<table>
<thead>
<tr>
<th>Initiative</th>
<th>% Scoring 6 or 7 on 7-point scale</th>
</tr>
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<tbody>
<tr>
<td>Retaining top performers</td>
<td>38%</td>
</tr>
<tr>
<td>Hiring the best people</td>
<td>31%</td>
</tr>
<tr>
<td>Right people in right jobs</td>
<td>24%</td>
</tr>
<tr>
<td>Creating high engagement</td>
<td>21%</td>
</tr>
<tr>
<td>Improving employee productivity</td>
<td>20%</td>
</tr>
<tr>
<td>Developing employees with right...</td>
<td>16%</td>
</tr>
<tr>
<td>Building career paths</td>
<td>14%</td>
</tr>
<tr>
<td>Developing great leaders</td>
<td>14%</td>
</tr>
<tr>
<td>Planning future talent needs</td>
<td>13%</td>
</tr>
<tr>
<td>Pipeline of ready successors</td>
<td>10%</td>
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# Impact of Mature Talent Management

*Maturity has biggest impact on leadership, engagement, & planning*

As companies mature, they improve in every talent area.

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<th>Area</th>
<th>Level 1: Silos</th>
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<td>Developing great leaders</td>
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<td>38%</td>
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<td>Pipeline of ready successors</td>
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<td>1%</td>
<td>19%</td>
<td>42%</td>
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<td>Building career paths</td>
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% difference from average score
Impact of Mature Talent Management

The higher the maturity level, the more effective in every area of TM

More mature companies score better in every talent area.

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% difference from average score
## Impact of Mature Talent Management

*Lower turnover, higher promotion rates*

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<tr>
<td><strong>2009 Total Turnover</strong></td>
<td>15%</td>
<td>13%</td>
<td>11%</td>
<td>7%</td>
</tr>
<tr>
<td><strong>2009 Voluntary Turnover</strong></td>
<td>8%</td>
<td>6%</td>
<td>5%</td>
<td>4%</td>
</tr>
<tr>
<td><strong>2009 Turnover among High Performers</strong></td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
<td>1%</td>
</tr>
<tr>
<td><strong>Percent of Companies that Promoted 10% or more Employees in 2009</strong></td>
<td>23%</td>
<td>23%</td>
<td>31%</td>
<td>45%</td>
</tr>
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Impact of Mature Talent Management

*Mature companies continued to invest in talent, sacrificing productivity*

As companies mature, they improve in every talent area.

![Bar chart showing revenue per employee for Level 1, Level 2, and Levels 3 & 4 from 2008 and 2009.](chart)

- Level 1: $141K (2008), $163K (2009)

*Mature co's did not cut their staffs and programs as severely as others*
Impact of Mature Talent Management

- Half the rate of turnover
- Twice the rate of promotions
- 80% better at developing great leaders
- 92% better at creating a pipeline of ready successors
- 71% higher scores on employee engagement
- 68% greater ability to plan for future talent needs
- 62% higher scores on developing employees

*Comparing organizations at Level 4 vs. Level 1*
Talent Systems

Most companies have multiple, disconnected systems

- 2-3 systems: 42%
- 4-5 systems: 15%
- 6 or more systems: 3%
- No system (use manual processes): 17%
- 1 system: 24%

Half of these organizations report little or no integration across systems

* Numbers exclude use of HRIS/HRMS
Impact of Talent Systems

Companies using systems score higher in only a few areas

Companies with automated talent systems are better at:
- Developing leaders
- Developing employees
- Planning future talent needs
- Building a pipeline of ready successors

These are future-focused activities.

Companies using manual processes are just as good at:
- Hiring the best people
- Having right people in right jobs
- Creating high engagement
- Improving employee productivity
- Retaining top performers
- Building career paths
- Promoting employees
- Overall retention
- Revenue-per-ee
System Integration

What does make a difference is integrating the systems

- Companies with well-integrated systems are more effective in nearly every talent area.

- Companies using poorly integrated or disconnected systems are no more effective (and, in some areas, less effective) than companies using manual processes.

- An integrated system architecture is an enabler of effective talent management

- Must have the right people and processes in place first.
Reports Available on www.bersin.com

- **Talent Management Factbook 2010**  
  (exec summary available, report coming in July)

- **Talent Management Factbook: UK**  
  (report coming in Q2)

- **Corporate Learning Factbook 2010**  
  (US and UK versions available now)

- **Leadership Development Factbook 2009**  
  (available now)
QUESTIONS?

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