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The ROI of Talent in a Down Economy

About the Author



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Introduction

There are 76 million baby boomers getting ready to retire. The beleaguered economy is putting unusual pressures on organizations, requiring them to do much more with a lot less. In the marketplace, there is a shortage of high performers. As a matter of fact, 70 percent of companies indicated that it is hard to find high performers – and almost as many companies say it is difficult to retain high performers once they are found. Further, companies are seeing a tremendous increase in turnover, due partly to the fact that Generation X and Generation Y employees are more inclined to change jobs and careers in order to fulfill their personal needs and goals.

With that said, it is not surprising that we found “gaps in the leadership pipeline” as the number one talent challenge for two years in a row. The percent of companies in 2008 that identified this as their top challenge was actually up 16 percent over 2007, from 51 percent to 59 percent, respectively.¹ (See Figure 1.) Throughout the remainder of this report, we share the top areas of talent management on which companies should focus to get the best return in this economy.

 **KEY POINT**

Seventy percent of companies indicated that it is hard to find high performers.

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¹ For more information, *2008 Talent Management Factbook: Global Trends, Facts, and Strategies in Corporate Talent Management*, Bersin & Associates / Karen O’Leonard, June 2008. Available to research members at www.bersin.com/library or for purchase at www.bersin.com/tmfactbook.

Figure 1: Top Talent Challenges for 2008



Source: Bersin & Associates, 2008.

Ten Key Focus Areas for Today's Economy²

Talent management is fundamentally about matching individual capabilities with organizational needs to drive innovation and business growth. By adopting a set of integrated processes and practices designed to attract, manage, develop and retain key people, companies will be able to more effectively manage their talent.

² For more information, *TalentWatch®: Corporate Talent Tightens in the Economic Slowdown*, Bersin & Associates / Josh Bersin, Fall 2008. Available to research members at www.bersin.com/library.

Figure 2: Bersin & Associates High-Impact Talent Management Framework®



Source: Bersin & Associates, 2008.

Organizations today are looking for ways by which to assess their current talent management strategies, and develop action plans to ensure that they will have high-quality bench strength and strong leadership pipelines ready to take on critical positions throughout the company.

We found that there are 10 key areas of talent management on which companies should focus that will provide the quickest “wins” in the least amount of time. They are described in the following sections.

Workforce Planning

Strategic workforce planning is a business-driven process that determines the talent the organization will need today and in the future – and what talent is available to meet those needs.

1. **Rapidly identify critical roles and skills** needed to deliver on the business strategy. HR must be closely involved in order to prioritize “big-picture” business needs. This requires the creation of job competency models and the implementation of employee assessments against these models. This will allow a company to inventory current skills capabilities and prioritize talent gaps.

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Only one-fourth of organizations have an enterprisewide performance management program in place.⁵

Learning and Development

Managing the learning and development (L&D) function is a balancing act between two, somewhat conflicting goals – to help the lines of business with their employee development challenges and to align with corporate HR on talent-related issues. According to our research, only one-third of organizations have L&D programs that reflect future talent needs.³

2. **Refocus L&D programs** on critical needs areas. Programs must be business driven and the L&D organization should be centralized.

Performance Management

Performance management is a set of management practices that establishes measurable goals and objectives for employees, and assesses achievement and attainment of such objectives. This information is used to then improve performance.⁴ Two key steps that we suggest companies focus on today include the following.

3. **Implement goal management** and monitor employee performance closely to increase performance-based culture. To do this, companies must reevaluate (and recreate, if necessary) their current performance management processes.
4. **Implement pay for performance** to adjust expenses with revenues and improve performance-based culture. A linkage between performance management and compensation is absolutely necessary.

Career and Succession Management

In conversations with companies like IBM, Chevron and Mercer, it is apparent that there are two tracks for career development – one that

³ For more information, *High-Impact Talent Management: Trends, Best Practices and Industry Solutions*, Bersin & Associates / Josh Bersin, May 2007. Available to research members at www.bersin.com/library or for purchase at www.bersin.com/hitm.

⁴ For more information, *The Essential Guide to Performance Management Practices, Part 1*, Bersin & Associates / Leighanne Levensaler, October 2008. Available to research members at www.bersin.com/library or for purchase at www.bersin.com/perfmgt.

⁵ For more information, *High-Impact Talent Management: Trends, Best Practices and Industry Solutions*, Bersin & Associates / Josh Bersin, May 2007.



KEY POINT

A high potential is someone who is a high performer, and has the potential, ability and aspiration for successive management positions within the company.

is focused on the functional / technical expertise and one focused on leadership growth. That said, the identification and development of both high performers and high potentials are critical.⁶

5. **Identify high performers** for recognition and strategic workforce reduction. Companies must define criteria for high performance and provide succession training to managers.
6. **Identify critical talent pools and high potentials** that will drive transformational changes and new initiatives. Defined competency models will provide a consistency of assessments and the performance management process should be utilized to obtain key talent data.
7. **Focus on internal candidates for open** positions to reduce hiring and improve productivity. Two areas that should be addressed are establishing employee career development programs and models, and then training managers to have good discussions with their employees.

Leadership Development

Leadership development is not a training issue – it is a business issue and should be addressed accordingly, based on the needs and strategies of the company.⁷

8. **Provide future leaders with developmental assignments** to help turn around the business. The establishment of leadership competencies and executive engagement are critical for such a process to be successful.
9. **Communicate leadership** values and behaviors to improve retention and engagement. Executives should lead the charge and leadership program curricula should be business-driven.

⁶ For more information, *High Potential Versus High Performance: What Is the Real Difference?*, Bersin & Associates / Kim Lamoureux, July 11, 2008. Available to research members at www.berlin.com/library.

⁷ For more information, *High-Impact Leadership Development 2009: Trends, Best Practices, Industry Solutions and Vendor Profiles*, Bersin & Associates / Kim Lamoureux, November 2008. Available to research members at www.berlin.com/library or for purchase at www.berlin.com/hild.



Talent Management Systems

A talent management suite is a unified platform to help organizations attract, develop, motivate, deploy and manage their workforces with an integrated approach. This suite allows companies to aggregate and share talent data across multiple strategic HR processes and applications.⁸

10. **Integrate HR systems** to save money on IT, and to facilitate the performance, succession and career development needed. This requires an internal HR systems strategy and a clear understanding of the systems market.

Figure 3: Summary of Top 10 Focus Areas

Top 10 Focus Areas	Area of Talent Management
1. Rapidly identify critical roles and skills	Workforce Planning
2. Refocus L&D programs	Learning and Development
3. Implement goal management	Performance Management
4. Implement pay for performance	Performance Management
5. Identify high performers	Career and Succession Management
6. Identify critical talent pools and high potentials	Career and Succession Management
7. Focus on internal candidates for open positions	Career and Succession Management
8. Provide future leaders with developmental assignments	Leadership Development
9. Communicate leadership values	Leadership Development
10. Integrate HR systems	TM Systems

Source: Bersin & Associates, 2008.

⁸ For more information, *Talent Management Suites: Market Realities, Implementation Experiences and Vendor Profiles*, Bersin & Associates / Leighanne Levensaler, January 2008. Available to research members at www.bersin.com/library or for purchase at www.bersin.com/tmsuites.

★ BEST PRACTICE

Systemized data supports informed talent decision-making.

Evaluation and Metrics

Talent management “ROI” is best described in three phases along our roadmap:

1. **Elimination of Duplication** – Initial enablement of operational efficiencies and cost reduction;
2. **Improved Talent Productivity** – Continual improvement in people processes, particularly via the integration; and,
3. **Improved Business Results** – Documentation of business benefits realized, once baseline data has been established against which to measure.

Examples of the kinds of tactical cost-savings that can be realized include a reduction in administrative headcount, or improved training opportunity costs from both more targeted training and a migration to online learning.

However, the real fortune can be found in the strategic value talent management creates for companies when it is done well. Whether it be a more healthy leadership pipeline, increased employee engagement or improved career and succession planning, integrated talent management strategies create long-term organizations that are both enduring and adaptable.

Conclusion

Today’s working environment can be summarized as follows.

- Businesses are focused on cost-reduction and restructuring.
- Talent organizations are reevaluating and modifying leadership and workforce performance processes.
- Workforce talent is weak at the entry and managerial levels.
- An integrated system with strong alignment among all of the talent management processes is essential for creating high degrees of business impact.

- Companies must define job families, job profiles and career paths in order to create flexible, yet progressive, learning solutions.

Bottom Line: In today's tight labor markets, organizations are focused on finding the right talent, getting the most from that talent, and engaging and retaining that talent.