Integrated Talent Management

Improving Business Results through Visibility and Alignment

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Aberdeen Group
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Executive Summary

The key to organic organizational growth in 2010 will be the proper alignment of the workforce with a company's near- and long-term goals. As a result, 2010 will be a year in which nearly three-quarters of organizations will increase emphasis on talent management, according to surveys conducted by Aberdeen Group of 349 human resources and line of business executives during the months of November and December 2009. To achieve this desired alignment, organizations are integrating formerly disparate talent management processes, systems, and data. While our research shows the vast majority of organizations have only achieved integration across two or more elements of talent management, those that have are reporting superior performance gains.

Best-in-Class Performance

Aberdeen used three key performance criteria to distinguish Best-in-Class organizations. That performance, relative to their peers, was as follows:

- 29% average year-over-year increase in hiring manager satisfaction versus a 12% *decrease* for Laggards

- 89% of employees received a rating of "meets" or "exceeds" expectations in the last performance review versus 74% of Laggards

- 19% average year-over-year increase in employee engagement versus a 10% *decrease* for Laggards

Competitive Maturity Assessment

Survey results show that the firms enjoying Best-in-Class performance are:

- 1.3 times more likely than Laggards to have integrated *processes* from at least two distinct talent management elements

- Nearly two times more likely than Laggards to have integrated *data* from at least two distinct talent management elements

- Twice as likely as Laggards to have defined metrics to measure talent management effectiveness

Required Actions

In addition to the specific recommendations in Chapter Three of this report, to achieve Best-in-Class performance, organizations must:

- Standardize talent management practices and processes - maintain a baseline of consistency and allow tweaking to address local needs

- Encourage collaboration between HR and other functional "talent" areas to identify and work around workflow bottlenecks

- Review or assess talent management strategy effectiveness regularly - at least twice per year

Research Benchmark

Aberdeen's Research Benchmarks provide an in-depth and comprehensive look into process, procedure, methodologies, and technologies with best practice identification and actionable recommendations

"Integrated Talent Management (TM) involves a horizontal approach versus a vertical 'silo' approach to managing our talent - both in terms of working across HR&A functional areas to support key TM processes, and in close coordination with our business leaders to ensure appropriate linkage with, and focus on, the right strategic talent capability priorities. It also requires a unified TM systems approach to enable effective enterprise TM execution in a timely manner."

~ Robert Waters, VP HR Strategy & Talent Management, Northrop Grumman Corporation

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Business Context

The term "employee lifecycle" is a very telling expression when you consider how the tenure of an employee is similar to the life of a human being. Much like a child grows through stages of life, an employee will grow as they pass through the stages of recruitment, onboarding, development, and eventual advancement. Even though the two scenarios are wildly different, the same general development principles apply to both. To illustrate this, imagine if a child was sent to a different set of parents at each development milestone - birth, toddler years, adolescence, and adulthood. Then imagine that, in each stage, the child's new family had not been given any information about how he or she had been raised by the previous one. Such inconsistency would pose a huge obstacle to development. The reason for this analogy is to show the problems associated with having stand-alone Talent Management (TM) processes and data. When each process is treated as a completely separate entity, it is as if the individual is being handed off at each development milestone like a baton in a relay race. If there isn't frequent and open communication, as well as easy access to accurate information at each handoff, both the employee and the organization will suffer.

The Call for Integration

The ability to attract, engage, align, develop, and retain top performing talent is the definition of successful talent management practices. However, the ability to measure and validate the impact of talent management activities on the business remains elusive. According to survey data collected by Aberdeen at its 2009 Human Capital Management (HCM) Summit, 43% of attendees indicated *the inability to capture and validate data* as the primary barrier their organization faces to measure the business impact of HCM. And to this point, the attendees of Aberdeen's HCM Summit indicated *the integration of talent management elements* is a top three issue they wanted to address based on what they learned at that event.

The preference among business executives for integrated HCM was highlighted in Aberdeen's December 2007 research report *Integrated HCM: Over-Hyped or Over-Due?* In that study, 56% of more than 250 executives surveyed indicated they preferred an integrated HCM solution. In November and December 2009, Aberdeen surveyed 349 human resources and line of business executives to reveal the measurable business impact related to integrating talent management processes, systems, and data. Our research revealed that only a slight majority of representative organizations have at least partially integrated their talent management processes / workflows, systems, and / or data. However, those that have achieved integration across at least one of the three (talent management processes /

Definitions Used in this Research

√ **Integration** - the ability to maintain talent management data from at least two talent management elements (recruiting, onboarding, employee performance management, compensation, learning / development, or succession planning)

√ **Full integration** - all elements of talent management are integrated

√ **Partial integration** - at least two but not all elements of talent management are integrated

√ **No integration** - no elements of talent management are integrated

Note: This study looked at integration across processes / workflows, systems and data

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workflows, systems, and data) have also experienced significantly greater performance gains than those with no integration.

## Talent Management to Play a Key Role in 2010

While 2009 was a year in which many pundits joked that "flat" was the new growth, the same results in 2010 will not be met lightly by Wall Street analysts, investors, and corporate boards. According to 76% of the executives Aberdeen surveyed for this study on integrated talent management, organizational effort on talent management will increase in 2010. And, 47% of respondents indicated their organization's 2010 budget for talent management will increase - with only 5% of respondents indicating their respective budgets will decrease over that same time period.

The economic realities of the past 18 months have brought into focus the importance of a business' ability to adapt quickly to change. However, they have also forced most organizations into short-term survival mode; one in which cost-cutting measures have trumped long-term planning and, subsequently, workforces have been squeezed of all available effort. These realities are mirrored by the top external pressures driving organizations to integrate talent management processes, systems, and / or data, as shown in Figure 1.

Fast Facts
√ 76% of survey respondents anticipate organizational effort on talent management will increase in 2010
√ 47% of respondents indicated their organization's 2010 budget for talent management will increase in 2010

Figure 1: Pressures Driving Integration of Talent Management
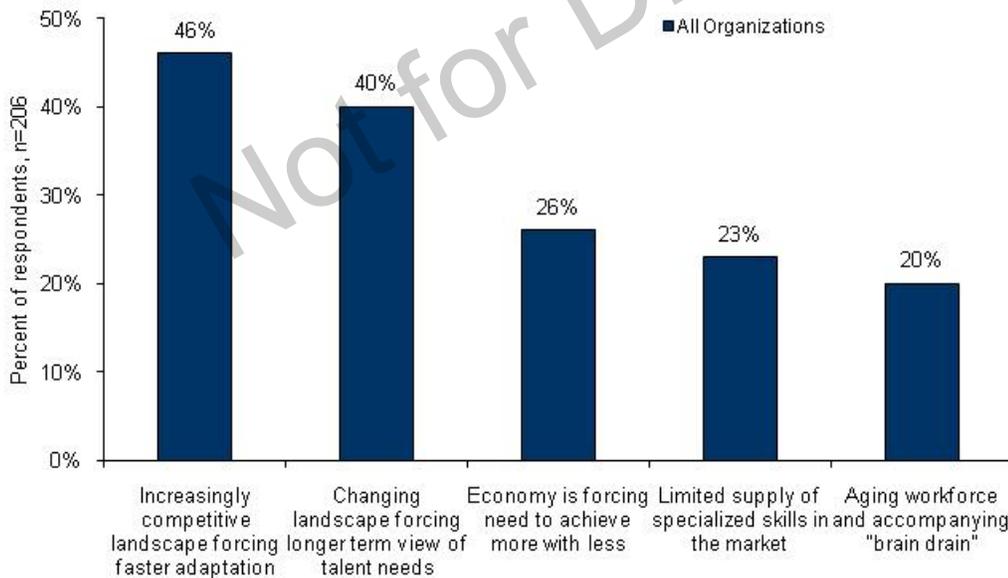
Note: Up to 2 responses were accepted; responses do not equal 100%

Source: Aberdeen Group, December 2009

Additionally, more than 20% of survey respondents indicate an acute sensitivity to the limited skills available in the market and the gaps that will

exist - in terms of positions filled and intellectual capital lost - once the economy turns. These realities are forcing organizations to not only look longer-term, but also to move beyond "how to get more from the same or less" and toward how to *achieve* more from their existing resources and from their anticipated pursuits. To bridge this achievement gap, the emphasis among top-performing organizations with respect to integrating talent management is and will continue to be focused on two key elements: visibility and alignment.

The Maturity Class Framework

Aberdeen used three key performance criteria to distinguish the Best-in-Class from Industry Average and Laggard organizations, as shown in Table 1:

- **Employee performance** is the percentage of the workforce that received "meets" or "exceeds" in their most recent performance review ratings. Aberdeen's research over the past two years continues to show an employee's first performance review rating as a top measure used to determine quality of hire - a metric that best reflects an employee's first year contribution to and fit within the organization.

- **Hiring manager satisfaction** is the percentage change in hiring manager satisfaction, year-over-year. The communication and collaboration between Human Resources (HR) and the line of business is critical to achieve mutual agreement and understanding of what is important to the business and where HR should focus its efforts. Hiring manager satisfaction is a good barometer not only of how well expectations were understood and met, but also of how effective and efficient the processes were perceived.

- **Employee engagement** is the percentage change in employee engagement based on the organization's last employee engagement survey. Engagement became a talent management imperative in 2009. It goes way beyond employee satisfaction and, according to Aberdeen's July 2009 report *Beyond Satisfaction: Engaging Employees to Retain Customers*, it provides an accurate indication of the alignment of "individual priorities, goals and desires with the needs of the organization in order to deliver business results."

Note: Aberdeen did not factor whether or not organizations had integrated talent management processes, systems, and / or data as a Best-in-Class requirement. Rather, we sought to understand whether those organizations that experience superior results against specific Key Performance Indicators (KPI) are more inclined to have integrated (partially or fully) the processes, systems, and / or data of talent management elements. Average performance in each KPI across each maturity class (Best-in-Class, Industry Average, and Laggard) are outlined in Table 1.

"With 100% growth over a six-year period, our organization was in need of a recruiting engine that could keep up with our needs for a highly mobile sales force. We started with a software tool to help manage recruiting, but quickly expanded upon it to integrate all components of our talent management lifecycle. These technological improvements, along with a great deal of support from the organization, allowed us to fill our talent needs while dropping time to fill by almost 200% and lowering turnover by just over 100%."

~ Cathy Huntington,
Corporate Hiring Coordinator,
Anderson Merchandisers

Table 1: Top Performers Earn Best-in-Class Status

Definition of Maturity Class	Mean Class Performance
Best-in-Class: Top 20% of aggregate performance scorers	▪ 87% of employees rated "meets" or "exceeds" expectations in most recent performance review ▪ 29% average year-over-year improvement in hiring manager satisfaction ▪ 19% average year-over-year improvement in employee engagement
Industry Average: Middle 50% of aggregate performance scorers	▪ 79% of employees rated "meets" or "exceeds" expectations in most recent performance review ▪ 2% average year-over-year improvement in hiring manager satisfaction ▪ 3% average year-over-year improvement in employee engagement
Laggard: Bottom 30% of aggregate performance scorers	▪ 74% of employees rated "meets" or "exceeds" expectations in most recent performance review ▪ 12% average year-over-year <u>decrease</u> in hiring manager satisfaction ▪ 10% average year-over-year <u>decrease</u> in employee engagement

Source: Aberdeen Group, December 2009

The Best-in-Class PACE Model

There are a myriad of reasons why organizations are pursuing (or should pursue) the integration of talent management across processes and workflows, systems, and data. While no single, magical formula exists that will guarantee a simple and successful integration, Aberdeen's research shows that commitment and collaboration across key stakeholder groups, in addition to a combination of strategic actions, organizational capabilities, and enabling technologies is critical - referred to by Aberdeen as the Best-in-Class PACE framework (for a description of the Aberdeen PACE Framework, see Table 9 in Appendix A). The characteristics exhibited by Best-in-Class organizations in this study are summarized in Table 2.

Table 2: The Best-in-Class PACE Framework

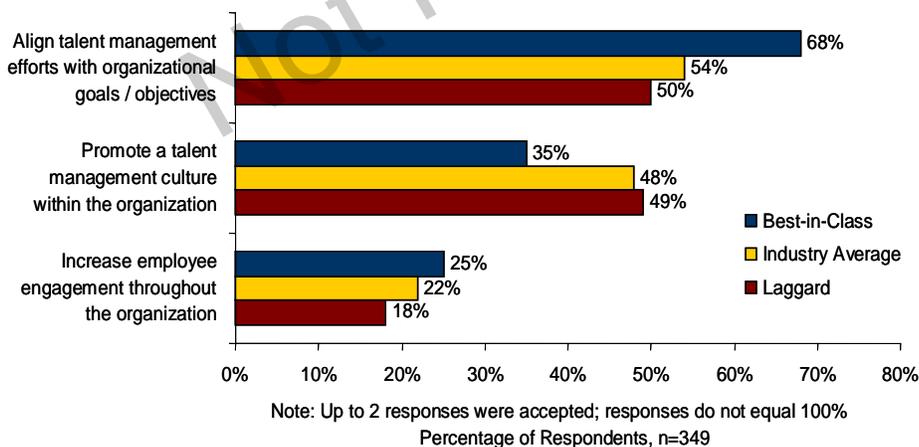| Pressures	Actions	Capabilities	Enablers
▪ Changing business landscape forcing organization to take a longer-term view of	▪ Align talent management efforts with organizational goals / objectives ▪ Promote a talent management	▪ HR collaborates with the lines of business to understand business success criteria ▪ Talent management strategy has buy-in from organization's senior leadership ▪ HR collaborates with other functional 'talent' areas to overcome workflow bottlenecks	▪ Recruitment technology platform ▪ Online company career portals ▪ Assessments to determine gaps in core competencies

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Pressures	Actions	Capabilities	Enablers
talent needs	culture within the organization	▪ Metrics to measure talent management effectiveness have been clearly defined ▪ HR collaborates with IT to share technology needs and understand system limitations ▪ Common competency definitions are consistent across all talent management processes ▪ Employees have visibility into their progress against development plans	▪ Data warehouse (or other repository) ▪ Learning management or learning content management system ▪ Workforce analytics and /or reporting tools ▪ Employee performance management software ▪ Employee self-service portal

Source: Aberdeen Group, December 2009

Best-in-Class Strategies

To create a business that is best prepared for both anticipated and unanticipated change, as well as one that achieves more from its workforce, Best-in-Class organizations - by a factor of nearly two to one over their second most popular strategy - have focused their efforts on aligning talent management efforts with the organizational goals and objectives, as shown in Figure 2. The importance of this top strategy cannot be overstated due to its correlation to optimizing business results - and it is the focus of the Strategy Insight later in this chapter.

Figure 2: Top Strategies Pertaining to Talent Management

Note: Up to 2 responses were accepted; responses do not equal 100%
Percentage of Respondents, n=349

Source: Aberdeen Group, December 2009

An important starting point for this alignment is with the organization's talent management strategy. Sixty percent (60%) of Best-in-Class organizations indicate they have a formal talent management strategy in place as compared to 30% of Laggards. A formal talent management strategy is critical, especially in an organization where various functions of talent

management (e.g. recruitment, learning, organizational development, etc.) have distinct management or may be considered stand-alone functions. For these, a formal strategy that looks across the talent lifecycle can bridge stand-alone processes and workflows which, according to Aberdeen's research is a top barrier to companies either formally pursuing talent management or achieving better alignment between talent management and the organization's business priorities (see the side bar for details).

However, a formal talent management strategy that is not aligned with the needs of the business is extremely short-sighted and constrained in its potential impact. In fact, to ensure this alignment, 37% of Best-in-Class organizations have integrated their talent management strategy with their organization's business strategy. While this number is not staggeringly high, it is 23% and 146% greater than Industry Average and Laggards, respectively. What's important, however, is that organizations with this strategic alignment report significant prowess in their ability to measure talent management effectiveness. In fact, 60% of all organizations with this level of strategy integration indicate they have clearly defined talent management metrics in place as compared to only 21% of organizations that indicate their formal talent management strategy is not integrated with their overall strategy.

Figure 2 also illustrates two important ancillary strategies that will see strong emphasis in 2010 and are supportive of the top Best-in-Class strategy pertaining to alignment, namely:

- **Creating a culture where accountability for talent management extends beyond HR and across the organization.** Aberdeen's research in 2009 across a myriad of talent management topics has reflected the continued growth regarding accountability of talent management with the lines of business. In fact, Aberdeen's January 2009 research report *Fully On-Board: Getting the Most from Your Talent in the First Year* found that the activity deemed most valuable by survey respondents from Best-in-Class organizations for engaging new employees was to *have the new employee and his/her manager agree to performance expectations and a related development plan.* Critical to this endeavor, however, is senior management buy-in and support of talent management – something (as highlighted in Chapter Two of this report) that is severely lacking among Laggard organizations.

- **Focusing on employee engagement.** On a scale of 1 to 5 where "1" equals not important and "5" equals critically important, employee engagement is ranked a 4.27 by the Best-in-Class when it comes to measuring the effectiveness of talent management strategy - as compared to a 3.82 rating by Laggard organizations. The importance of employee engagement was highlighted at Aberdeen's 2010 HCM Summit where two distinct speakers (Steve Church - current Chief Operations Excellence Officer at Avnet, and Bob Kelleher - former Chief Human Capital Officer at AECOM) shared specific cases about engagement and its proactive role in driving

Top Five Barriers to Effective Talent Management

√ **37%** - inability to validate its business impact

√ **36%** - HR spends too much time on tactical HR activities

√ **32%** - lack of support among business line leaders

√ **31%** - disparate business units with distinct processes and workflows

√ **30%** - lack of buy-in from senior leadership

Note: Respondents were asked to indicate the top three barriers preventing their organization from either formally pursuing talent management or aligning it with their organization's objectives.

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critical business measures, including shareholder value and overall productivity. In fact, Aberdeen's July 2009 report *Beyond Satisfaction: Engaging Employees to Retain Customers* revealed the top three areas of business performance where engagement was perceived most critical: 1) workforce productivity / employee performance; 2) employee retention; and 3) quality of goods / services produced.

Alignment: The Link between Effort and Results

The strategic pursuits highlighted in Figure 2 can dissolve quickly without the proper foundation in place (see Chapter Two for more details). However, representative of the Best-in-Class' ability to execute against these strategies is the fact that respondents from Best-in-Class organizations were 45% more likely than those from Industry Average and 1.5 times more likely than those from Laggard companies to indicate that their organization's talent management efforts are strongly aligned with the business' priorities. In contrast, respondents from Laggard organizations were more than twice as likely as those from Best-in-Class companies to indicate their talent management efforts are not aligned with the business, as shown in Figure 3.

Figure 3: Perceived Alignment of Talent Management with Organizational Priorities
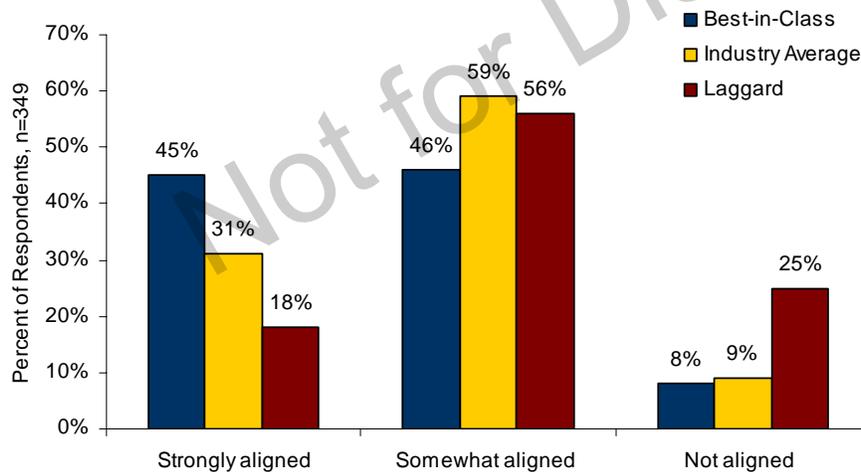
Source: Aberdeen Group, December 2009

As a result of this alignment, or perhaps because of it, the HR functions among the Best-in-Class are viewed more strategically than those at Industry Average and Laggard organizations. In fact, comparing Aberdeen's research from December 2008 against this research from December 2009, the only class of organization in which HR has increased its strategic importance to the organization is the Best-in-Class. Table 3 illustrates HRs perceived strategic importance across each of the maturity classes using a scale of 1 to 5 where "1" signals that HR is reactive, very tactical and not

aligned with business objectives, and "5" signals that HR is very proactive and closely tied to the business' objectives.

Table 3: Perception of HR's Strategic Importance

Maturity Class	December 2008	December 2009	Percent Change
Best-in-Class	3.62	3.71	3.5%
Industry Average	3.49	3.34	(4.3%)
Laggard	2.89	2.74	(5.2%)

Source: Aberdeen Group, December 2009

Aberdeen Insights — Strategy

"Aligning the workforce with business objectives" is an often cited rule of thumb among talent management executives. However as overused as this adage is, its importance cannot be greater in the months and years ahead. Figure 4 illustrates how *alignment* is the link between workforce effort and business results - and shows how redirecting workforce effort through better alignment with the organization's objectives will produce incremental gains in sought-after results.

Figure 4: Incremental Results via Better Alignment

Source: Aberdeen Group, December 2009

continued

"The key to achieving integration is through leveraging the organization's strategic business plan as the primary source for identifying and executing the talent management agenda. This also means that human resource management systems and processes are aligned with one another, and that this is tied back once again to the goals of the organization."

~ Gary Nikipilo, Manager, PTI Group, Inc.

Aberdeen Insights — Strategy

Figure 4 assumes there is a correlation between workforce effort and business results. In this diagram, the X-axis (Effort) illustrates that there is a finite amount of effort that a workforce can exert - and presumes that workforces today are either at or very near capacity in terms of effort that can be extended. The Y-axis (Business Results) is not finite. Yet, as the Alignment curve illustrates, business results flatten when the effort of a workforce is either not aligned with what the organization needs, is over-extended - which is the case with many of today's workforces as a result of deep labor cuts - or both.

If the news headlines are correct, 2010 may see a "jobless" recovery to the current recession. Absent the ability to add headcount, and exclusive of the automation of processes that support talent management, Best-in-Class organizations realize that a logical means to achieve accretive results is by readjusting the alignment curve so that the same amount of effort yields incremental business gains.

In the next chapter, we will see what the top performers are doing to achieve these gains.

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Chapter Two:
Benchmarking Requirements for Success

Integration is a critical and tragically overlooked component of many talent management systems. By bringing together otherwise disparate elements of the employee development lifecycle, organizations are able to make better staffing and recruiting decisions, develop leaders more effectively, build a stronger bench, reduce errors, and save costs across the board.

Aberdeen's research suggests that the integration of talent management is currently in its early stages at most organizations and may consist of integrating two or three formerly disparate elements. However, the data clearly shows incremental benefits to those that have even partial integration of talent management processes, data, or systems. The case of United Airlines shows how targeted efforts to a small, yet critical, part of the workforce can not only pay big dividends in the near term, but also pave the way for larger-scale integration to follow.

Fast Facts

√ **75%** of Best-in-Class organizations have HR collaborate with line of business leaders to understand business success criteria / business objectives

√ Best-in-Class companies are **61%** more likely than all others to share talent management data across related processes

Case Study — United Airlines

United Airlines operates approximately 3,300 flights a day on United and United Express to more than 200 US domestic and international destinations from hubs across the United States. With key global air rights in Asia-Pacific, Europe, and Latin America, United is one of the largest international carriers based in the US. United is also a founding member of Star Alliance, which provides connections for customers to 916 destinations in 160 countries. United's 47,000 employees worldwide – of which nearly 6,800 are salaried and management personnel, and 40,000 are unionized workers (including pilots, flight attendants, and service workers) - are the drivers of the company's customer experience.

Over the past decade, a perfect storm of external pressures - ranging from the 9/11 terrorist attacks to the H1N1 flu pandemic and escalating fuel prices – have negatively impacted air travel. As a result, United was forced to make significant cost cuts, which included sizable layoffs. This, in turn, made it difficult to retain top talent. In fact, during this time period, United lost more than half its staff (salaried and union) due to both job actions and voluntary turnover.

Despite these obstacles, United sought to remain true to its core value; to provide every customer with a good service experience. The HR department at United was tasked with finding a solution to address this problem. HRs key goal: strengthen employee engagement via strong leadership. Unfortunately, at the time United had no interim successors planned for open critical leadership positions, and lacked the visibility to locate existing key leadership skills or know where they needed to be developed. The integration of talent management (data, processes, and systems) was going to play a significant role in that endeavor.

continued

"The greatest advantage of our (integrated talent management) efforts is that our senior leaders now really know the talent pool (from both strengths and readiness perspectives) at the layers immediately below them."

~ Cynthia Starz, Managing Director, Learning and Organizational Development, United Airlines

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Case Study — United Airlines

HR decided to focus its initial efforts around the top 45 positions in the company and the 250 direct reports (managing directors) to those positions. Consistent with the company's standing philosophy that employees have a voice pertaining to their career mobility, the company leveraged its current "self-nomination" process; a process that allows existing employees to view and apply for jobs before they are made available to the general public. With these 250 executives identified, United required each to complete a "talent profile." This online profile was equivalent to an online resume that an external candidate would complete via the company's career portal. However, by integrating the company's existing Applicant Tracking System (ATS) with its new automated succession planning system, the data within its ATS was automatically populated in the appropriate talent profiles.

The succession planning process at United involved the following key steps:

- **Talent reviews:** United's succession planning process obtained information about employee performance, competency ratings, 360 feedbacks, goals and career plans. Based on this information, United's executives conducted enterprise-wide talent reviews. These reviews consisted of 10 to 15 conversations about each of the 250 individuals. Those who took part in these conversations were typically one or two levels above these individuals and represented sales, marketing, and revenue management functions.

- **Talent segmentation:** Once the talent reviews were completed, United used its solution's 9-box model to achieve further talent segmentation. The process helped the company identify "enterprise talent" critical to move the business forward. It also helped senior leaders to look beyond each person and more holistically at gaps within the company and where United needed to dedicate its development efforts and dollars. United assigned a dedicated resource to update and manage the 9-box model regularly.

- **Positioning succession planning:** During this stage, the executive leaders identified critical positions within the organization and leveraged the information from talent review and segmentation stages to identify potential successors and interim successors. The successors were ranked by their level or readiness to take on the critical role in the event of turnover.

- **Leadership development:** Once the potential successors were identified, based on their competency gaps, leadership development plans were created for the successors to get them ready for the next level.

continued

Case Study — United Airlines

United used a phased approach to roll out its integrated talent management efforts. In Phase One, United used data from its recruitment and succession planning systems to identify business critical positions within the company and plan for them. Because United had not yet activated the automated performance goals and review capabilities of its integrated talent management solution, the company created user defined fields within its talent profiles to include additional personal information such as goals and affiliations, as well as fields for metrics such as 360 assessments and performance review ratings. This data was pulled from United's legacy Employee Performance Management (EPM) system – a system it is now in the process of replacing with the EPM system of the vendor that supplies its recruitment and succession systems.

Success criteria: To measure success, United developed two different metrics: bench strength - the number of employees ready for promotion out of the total talent pool; and planning ratio - the number of succession planning candidates promoted out of the total number of critical roles. The company now has over 250 interim successors planned for these top positions so the company can begin growing leadership organically. Phase two of the rollout will include targeting specific business units such as Airport Operations to begin identifying critical roles and a succession pool. After phase two is completed, all major divisions are expected to participate in future rollouts.

Keys to United's initial success (process):

- Employee participation – there must be a firm process to gain input from employees and managers and include it in what is rolled out and how it is communicated.

- Multiple perspectives – when it comes to employee potential – do not rely singularly on the person's immediate supervisor (360 is key).

- Common leadership competencies (referred to at United as "the guiding principles") were defined and used across the organization for recruitment, employee performance management, and succession planning.

Keys to United's initial success (systems):

- Access to core employee data. Thus, the ability to pull data from United's existing ERP system was helpful.

- A strategy (going in) that recognizes that data from varying systems must be available easily, and an application that brings the systems together to share the data.

continued

"The system we have in place will make it easy for leaders to see where their team is with respect to progress against goals and development plans."

~ Steve Rugg
Director of HR Technology,
United Airlines

Case Study — United Airlines

- Consistent system interface - With a geographically-dispersed workforce that requires the ability to work from any location, and a myriad of computer platforms used across their employee base, consistency across the user interface was critical so that United's managers were familiar with fields, templates, and required inputs. It was also critical for single data entry – to reduce erroneous data and free-up administrative work.

While still relatively new, United's efforts pertaining to integrated talent management have already resulted in increased talent visibility, employee engagement, and retention of top performers. With the initial focus on the company's top 45 positions being so successful, United's next step will be to focus on officer succession planning for the board of directors and then begin system rollout by division. United also has plans to fully integrate the current succession planning process with the goal planning and performance management modules within its existing system. The final steps of its fully integrated talent management process will be to introduce career management and development planning.

Competitive Assessment

Aberdeen Group analyzed the aggregated metrics of surveyed companies to determine whether their performance ranked as Best-in-Class, Industry Average, or Laggard. In addition to having common performance levels, each class also shared characteristics in five key categories: (1) **process** (the approaches they take to execute daily operations); (2) **organization** (corporate focus and collaboration among stakeholders); (3) **knowledge management** (contextualizing data and exposing it to key stakeholders); (4) **technology** (the selection of the appropriate tools and the effective deployment of those tools); and (5) **performance management** (the ability of the organization to measure its results to improve its business). These characteristics (identified in Table 4) serve as a guideline for best practices, and correlate directly with Best-in-Class performance across the key metrics.

Table 4: The Competitive Framework

	Best-in-Class	Average	Laggards
Process	Standardized talent management practices and processes		
	86%	75%	49%
Organization	HR collaborates with the lines of business to understand business success criteria / business objectives		
	75%	60%	42%
	HR collaborates with other functional "talent" areas (i.e. learning, compensation, etc.) to identify and work-around workflow bottlenecks		
	52%	47%	26%

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	Best-in-Class	Average	Laggards
Knowledge	Common competency definitions (specific to job roles) are consistent across all talent management processes		
	50%	39%	28%
	Talent management data is combined with business data (profitability, revenue, etc.) to measure the impact on business performance		
	34%	25%	16%
Enablers	Talent management technologies that are currently in place or plan to be adopted by the end of 2010 include:		
	▪ 80% Online company career portals ▪ 75% Assessments to measure readiness and identify gaps ▪ 74% Analytics / reporting tools ▪ 68% Services to create/update competency models ▪ 52% Succession planning software	▪ 73% Online company career portal ▪ 62% Assessments to measure readiness and identify gaps ▪ 69% Analytics / reporting tools ▪ 46% Services to create/update competency models ▪ 43% Succession planning software	▪ 59% Online company career portal ▪ 42% Assessments to measure readiness and identify gaps ▪ 46% Analytics / reporting tools ▪ 25% Services to create/update competency models ▪ 17% Succession planning software
Performance	Reviews or assesses effectiveness of talent management strategy at least twice annually		
	47%	27%	7%
	Metrics to measure talent management effectiveness have been clearly defined		
	43%	31%	14%

Source: Aberdeen Group, December 2009

Capabilities and Enablers

Based on the findings of the Competitive Framework and interviews with end users, Aberdeen's analysis of the Best-in-Class demonstrates that organizations that take a holistic approach to talent management, and align that approach with the overall strategy, are able to raise the ceiling of employee performance. To achieve the necessary levels of communication, data capture, and workflow standardization that are the hallmark of a truly integrated system, companies are working to add a number of capabilities and technology enablers to their arsenals.

Organization

Organizations that are ahead of the integration curve realize that talent management must be supported in the culture of the company in order to

"Rather than looking at HR sub-functions separately, an integrated talent management system should encompass everything from the employee's first touch point with the company to their eventual departure. We often get stuck viewing talent management solely as a learning or development activity or an assessment-centric initiative. What we need to move towards is a state of mind where we see talent in terms of input and output through the organization, and focus on maximizing productivity throughout that lifecycle."

~ Ashish Pant, HR Manager, Tata Capital Limited

gain traction. From an organizational perspective, Best-in-Class companies have achieved several important capabilities. First, they are 42% more likely than all other organizations to have instilled collaboration between HR and the lines of business to establish a mutual understanding of how talent management can address business needs and success criteria. This collaboration provides HR with visibility into what matters to the business and helps HR align talent management efforts with those needs. According to Aberdeen's data, this collaboration has been shown to contribute to significant year-over-year improvements in several KPIs, as shown in Table 5.

Table 5: Collaboration among HR and Line of Business has Impact

KPI	HR and Lines of Business Collaborate (% improvement)	No Collaboration (% improvement)
Employee Engagement - year-over-year change in engagement scores	7%	2%
Hiring Manager Satisfaction - year-over-year improvement	15%	9%
Customer Satisfaction	9%	6%
Profit per Full Time Equivalent – year-over-year change	9%	2%

Source: Aberdeen Group, December 2009

Additionally, nearly two-thirds of Best-in-Class companies indicate their talent management strategy has support / buy-in from the organization's senior leadership, compared to only 24% of Laggard organizations. The importance of this level of buy-in is self-evident when it comes to budget allocation and organizational priority placed on talent management.

> **Aberdeen Insights — Break the Talent Silos!**
>
> Best-in-Class organizations are twice as likely as Laggard to ensure collaboration between HR and other functional "talent" areas. The integration of these functional areas is essential as all phases of the employee lifecycle (from recruitment to retirement) are contiguous and compounding.
>
> *continued*

| **Aberdeen Insights — Break the Talent Silos!** |
| --- |

Take, for example, an organization's learning / training function - a function that unfortunately remains stand-alone within many organizations. An outward-facing learning portal can play an integral role in recruitment as it demonstrates an organization's commitment to employee development. Once a candidate accepts a job offer, learning then becomes instrumental in the onboarding process in order to get new employees up-to-speed and productive more quickly and competently. Then, as part of on-going performance management, learning becomes essential to enable employees to progress against development plans. And, from a succession planning viewpoint, learning again plays a factor as it provides a means for employees to grow and gain competencies needed as they advance against career paths.

In fact, according to Aberdeen's October 2009 research report *Learning and Development: Arming Front-Line and Mid-Level Managers to Deliver People and Performance Results* 60% of Best-in-Class organizations from that study indicated they integrated learning with their succession planning efforts as compared to only 31% of Laggards.

Process

The standardization of talent management practices and processes enables Best-in-Class organizations to achieve greater uniformity and consistency of talent-related efforts across their organizations. For example, a consistent process and scoring system used to assess the performance of individuals within a given job role enables more accurate visibility when comparing those individuals for succession readiness and promotability. This also allows the company to provide development plans that most accurately fill the gaps in terms of near- and long-term job role requirements and career path aspirations, as shown in Figure 5.
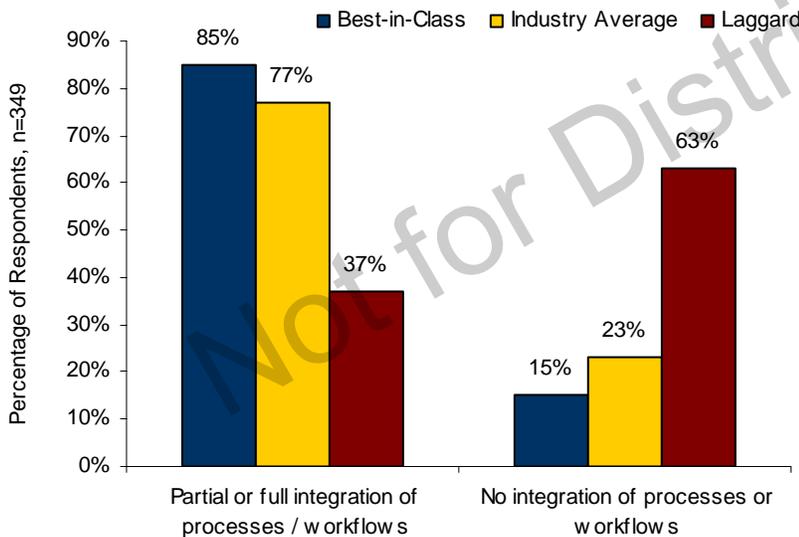
Figure 5: Standardization of Talent Management Processes

Source: Aberdeen Group, December 2009
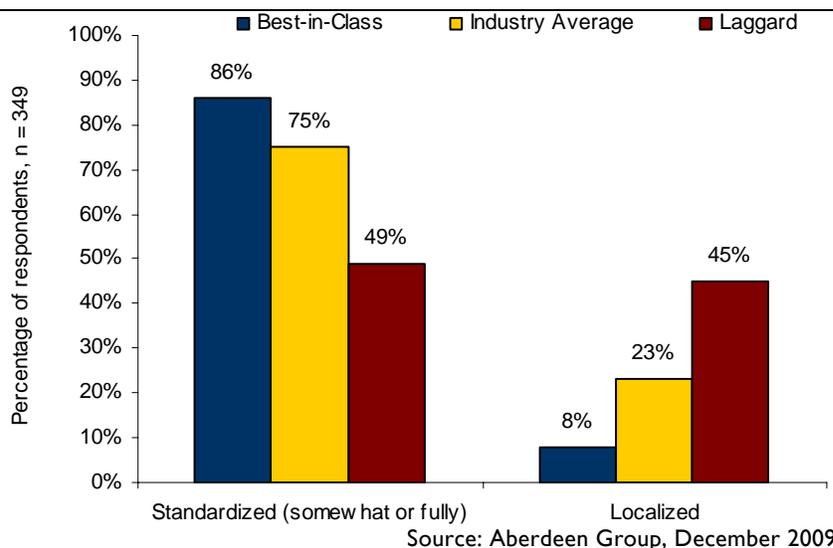
It is important to note that while 23% of the Best-in-Class indicate that every business unit and/or location adheres to the same practices and processes, the vast majority of Best-in-Class companies (63%) indicate that while key practices and processes are consistent across the company, they can also be customized by business unit or geography to address specific needs pertaining to regulations, cultures, languages, etc. This is especially important for multi-national businesses or organizations with many distinct business units. Laggard organizations, on the other hand, are more than five times as likely as the Best-in-Class to indicate their talent management practices and processes are localized; one with little consistency across sites or locations.

Aberdeen's research shows a strong relationship between the standardization of processes and the integration of those processes. In fact, 85% of Best-in-Class organizations indicate they have at least partial integration of talent management process and workflows, whereas 63% of Laggards indicate no integration of processes at all, as shown in Figure 6.

Figure 6: Integration of Talent Management Processes / Workflows

Source: Aberdeen Group, December 2009

It is important to note, however, that while the full integration of all talent management processes or workflows is what many organizations strive to achieve, it is not currently the case. This is represented in that only 16% of the Best-in-Class indicate they have achieved this level of integration.

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Aberdeen Insights — Process / Workflow Integration

The power of talent management process or workflow integration is perhaps best represented by the aggregate survey sample for this research. To this end, Aberdeen has found that - on average - organizations that have integrated the processes and/or workflows pertaining of at least two elements of talent management (e.g. recruiting and onboarding, or performance, learning, and succession, etc.) have achieved performance gains that outweigh those that have not integrated at least two talent management processes. Table 6 provides a comparison across several KPIs.

Table 6: Process / Workflow Integration Impacts KPIs

KPI	Processes at least Partially Integrated	Processes are Not Integrated
Bench Strength - percent of key positions with ready and willing successors identified	52%	35%
Employee Engagement - year-over-year change in engagement scores	7%	(2%)
Hiring Manager Satisfaction - year-over-year improvement	14%	5%
Time to Productivity - improvement (year-over-year) in time to perform the job competently	15%	8%
Profit per Full-Time Equivalent – year-over-year change	7%	0%

Source: Aberdeen Group, December 2009

"I see integrated talent management as the way in which talent management permeates throughout the culture (and performance) of our organization. It includes people, processes, AND technology, where all three intersect and balance one another. With integration comes synergy across all aspects of an organization, allowing for greater performance."

~ Christa Dhimo, HR Director, North American Software Company

Knowledge Management

Currently, 79% of Best-in-Class organizations indicate they have integrated talent management data. However, a strong majority of Best-in-Class (64%) companies indicate only partial integration of data.

An important element of data that needs to be integrated across all elements of talent management is the competency model. Best-in-Class organizations are 32% more likely than all others to use common competency definitions (e.g. competency models) specific to job roles across all talent management processes. It is important to note, that while only 50% of Best-in-Class organizations indicate this capability is currently in place, another 44% of the Best-in-Class indicate plans to have this in place by the end of 2010.

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Aberdeen Insights —
Common Competency Data: Core to Integration

Consistent competency models provide visibility to hiring managers and employees into the key requirements for every job role. This, in turn, allows for greater alignment with development efforts and clearer visibility into readiness. As a result, companies will hire candidates that will most likely fit within the organizational culture and contribute quickly in that job role. Once onboard, that same competency model should be used to assign the appropriate development plan and can also be used to pair the new hire with a mentor who shares similar personality traits and/or demonstrates competencies the new hire will need to acquire to perform optimally on the job. The same model should also be used to track the new hire's progress against the gaps that person had when they first joined the company. It also allows a company to look internally to see who is or could be ready to take on a new role (if given the right development and lead-time) or immediately kick-in the recruitment engine to find external candidates that map best against that competency model.

Best-in-Class organizations are beginning to flex their prowess via talent data integration. Three areas worth noting include:

- **Integrating talent data with business data**. Slightly more than one-third of Best-in-Class organizations indicate their talent management data (such as employee turnover, goal alignment, and pay for performance) is combined with business data (e.g. profitability, revenue, etc.) to measure the impact on business performance. This is not only helpful with validating the impact of talent management efforts, but also with scenario modeling (i.e. the impact of additional headcount on profitability or a change in sales compensation models on revenue) as part of longer-term workforce planning.

- **Integrating talent management data with employee data**. The Best-in-Class (34%) are nearly three times more likely than Laggards to integrate talent management data with employee data from the organization's HR system of record. This not only helps minimize the administrative burden on HR, but also reduces errors that can occur from duplicate data entry, as well as provide data for more accurate reports.

- **Triggering automatic actions**. The Best-in-Class are five times more likely than Laggards (30% versus 6%) to have data-driven triggers that result in automatic talent-management actions or alerts. For example, when an organizational chart reflects a position vacancy, a requisition notice is automatically sent to the hiring manager. The speed involved in this transaction may make the

Fast Facts

√ Organizations that have integrated data from at least two talent management elements are twice as likely to indicate a correlation between talent management and business operational metrics - compared to organizations that have not integrated data at least two talent management elements

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difference in a company reaching the optimal candidate at or near the same time that person commences his/her online job search.

Aberdeen Insights — Data Integration

Organizations that have integrated talent data from at least two talent management elements have recorded performance advantages across the board relative to those that have not. The most significant of these are highlighted in Table 7.

Table 7: Talent Management Data Integration Impacts KPIs

KPI	Data is Fully or Partially Integrated	Data is Not Integrated
Bench Strength - percent of key positions with ready and willing successors identified	51%	38%
Employee Engagement - year-over-year change in engagement scores	7%	0%
Hiring Manager Satisfaction - year-over-year improvement	14%	8%
Customer retention - improvement year-over-year	7%	3%

Source: Aberdeen Group, December 2009

The last of these performance indicators brings about a very interesting question. How can talent management data integration have an impact on customer retention? In reality, a simple parallel can be envisioned to show this correlation. Imagine, in this case, that a company is able to integrate talent management data (including competency profiles, assessment results, performance data, etc.) with data from a Customer Relationship Management (CRM) system. By tracking customer touch points, deliverables owed, and products purchased, on a case-by-case basis, an organization can classify the quality of their relationships on both a granular and aggregate level. This allows the organization to combine this customer-oriented viewpoint with workforce and talent data, allowing for better customer service or sales assignments based on competency profiles, more informed development decisions based on aggregate customer needs, and the ability to link compensation or rewards to quality customer interaction.

Technology

Aberdeen's research has revealed that 60% of Best-in-Class organizations have automated the recruitment process - specifically by utilizing recruitment technology platforms such as hiring management or applicant tracking systems, as well as online company career portals that allow applicants to submit resumes electronically or access company information. For organizations that have yet to do so, automating this process can provide an ideal way to free-up HR from administrative paperwork, reduce

errors from manual data entry, filter applicants based on set criteria, as well as maintain a repository of candidates from which it can communicate with and nurture until it is ready to open specific job requisitions. Also, when coupled with the use of assessments (used by roughly 40% of the Best-in-Class), a recruitment technology platform can house data specific to gaps that exist with regard to skills or competencies - data that can later be used to determine how well the person is progressing against the gaps they had when they first joined the company.

And, more than one-third of Best-in-Class organizations have automated post-hire elements of talent management specific to employee performance and development, specifically 38% have automated learning management (i.e. to administer learning as well as manage and track progress against development plans) and 35% have automated employee performance management (i.e. to automate performance reviews and goal setting), Also, 37% of the Best-in-Class have automated their talent management reporting functionality - with specific emphasis on analytics - to not only allow managers to generate accurate reports on the impact of talent management initiatives, but also to utilize the data for more forward-looking planning.

Talent Management Technology Spend in 2010

The success that Best-in-Class organizations have achieved or anticipate they will achieve via automating talent management and integrating the processes, systems and data is reflected in their planned technology spend in 2010. Whereas 43% and 38% of Industry Average and Laggard organizations (respectively) anticipate their budget for talent management technology to increase in 2010, the number balloons to 68% among Best-in-Class. Much of that emphasis will focus on making more accurate talent decisions as well as engaging, growing and grooming existing talent - both of which flourish via integrating talent management processes, systems, and data, as shown in Figure 7.
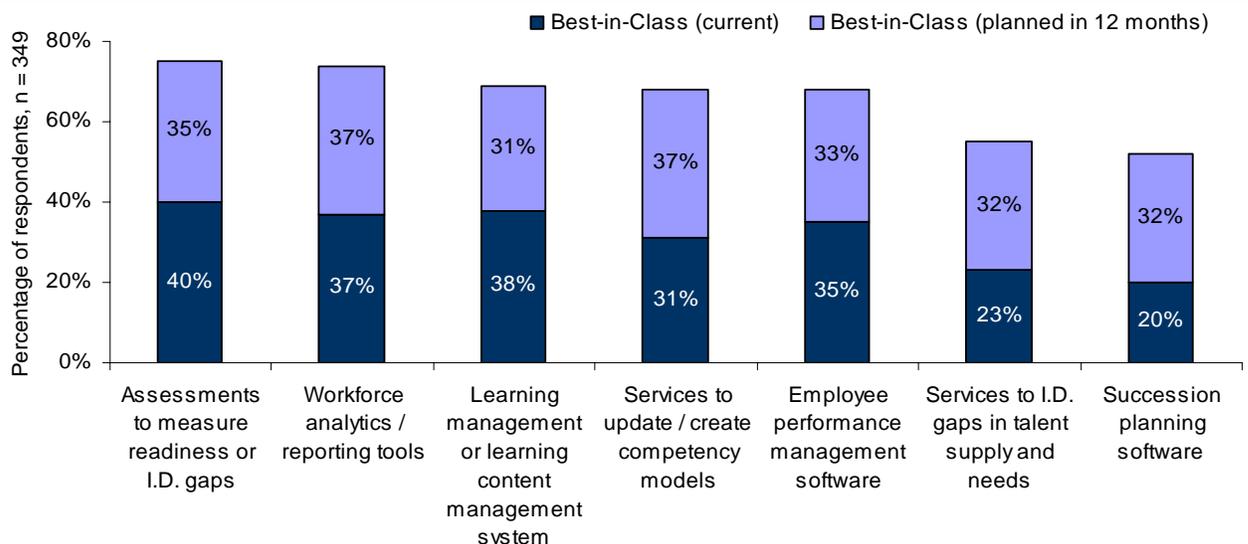
> "Integrated talent management is not just about automating many of the HR processes, which have traditionally been done manually. It is about the complex interaction between its core elements - recruitment & retention, learning & development, performance management, succession planning, rewards & recognition - in order to add strategic value to the business."
>
> ~ Kenneth Finneran, Chief People Officer – Americas, Hellmann Worldwide Logistics

Figure 7: Top Planned Talent Management Technology Adoption in 2010

Source: Aberdeen Group, December 2009

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Aberdeen Insights — Systems / Technology Integration

Best-in-Class organizations are 76% more likely than Laggards to have integrated at least two automated elements of talent management. While the vast majority of these organizations (61%) indicate they have not yet integrated all of their talent management systems, Aberdeen's research shows that even partial integration lends to greater performance improvement, as shown in Table 8.

We asked survey respondents whether their organization can measure a correlation between its talent management efforts and business operational metrics. And 54% of respondents who indicated their organization has integrated at least two talent management systems responded "yes" as compared to only 21% of organizations that indicated they have not integrated at least two talent management systems.

Table 8: Talent Management Systems Integration Impacts KPIs

KPI	Systems are Fully or Partially Integrated	Systems are Not Integrated
Bench Strength - percent of key positions with ready and willing successors identified	54%	34%
Employee Engagement - year-over-year change in engagement scores	7%	1%
Time to Productivity - improvement (year-over-year) in time it takes to perform the job competently	14%	10%
Profit per Full Time Equivalent – year-over-year change	7%	3%

Source: Aberdeen Group, December 2009

Fast Facts

√ **Best-in-Class organizations are 76% more likely** than Laggards to have integrated at least two automated elements of talent management

√ **54% of all survey respondents** who indicated their organization has integrated at least two talent management systems also indicate their organization can measure a correlation between talent management and business operational metrics - compared to only 21% of survey respondents from organizations that indicated they have not integrated at least two talent management systems

Performance Management

Like any other aspect of the business, talent management is about growing profitability, competitiveness, and the overall mission. As companies build their talent management capabilities to higher levels of maturity, they must also enhance their ability to measure its impact on the business.

The good news is that 67% of Best-in-Class organizations indicate they can measure a correlation between their talent management efforts and business operational results - in contrast to 62% of Laggards which indicate they cannot, as shown in Figure 8.

"When you establish (talent management) metrics, you have to have people responsible for driving and holding others accountable for those metrics. Without this, what's the point of having the metrics in the first place?"

~ Jane Juergens, VP of HR & Talent Management, American Municipal Power, Inc.

Figure 8: Correlation between Talent Efforts and Business Metrics
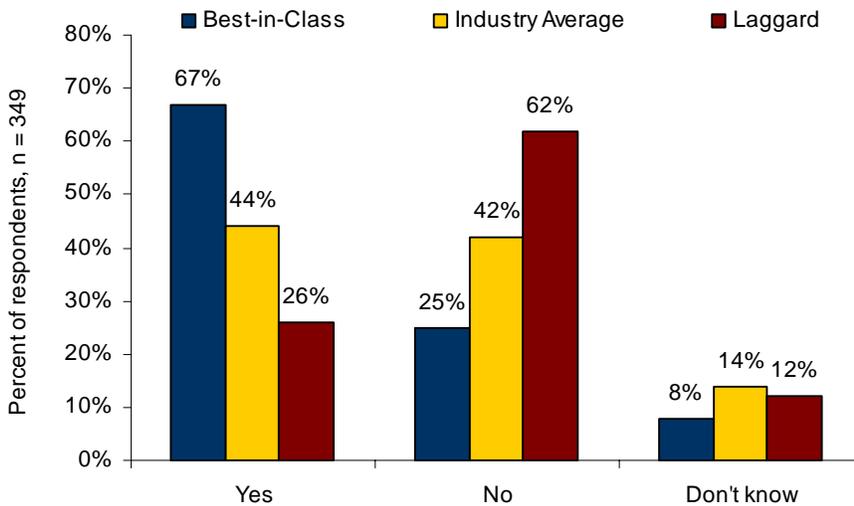
Source: Aberdeen Group, December 2009

The challenge is that the vast majority of all organizations (including the Best-in-Class) indicate they can only measure a "loose" correlation and do not have the data to back up that correlation. Indeed, the automation and integration of talent management processes, systems, and data will aid in this effort. However, Aberdeen's research has also uncovered two performance management capabilities pursued by nearly one-half of Best-in-Class organizations that aid in their quest to be more responsive to change and more aligned with their organization's needs:

- **Frequency at which the Best-in-Class review or assess the effectiveness of their talent management strategy**. Whereas 40% of Laggard organizations indicate they never perform this due diligence, 47% of the Best-in-Class do so at least twice per year - compared to only 7% of Laggards that indicate the same. Especially in a dynamic economic climate and business environment, the ability to adapt to change - which happens to be the top external factor driving organizations to integrate talent management (Figure 1) - is imperative. Meeting frequently enables executives from these organizations to not only ascertain progress against plan, but also to make adjustments that reflect more accurately the needs of the business.

- **Establishment of clearly defined metrics to measure talent management success**. Best-in-Class organizations are 72% more likely than Laggards to have defined these key measures. Not surprisingly, this requires that measurements for success have been defined and agreed to by relevant stakeholders, and it is here where Aberdeen's research shows HR must be able to speak the language of the business and demonstrate an understanding of how talent management can impact what the business seeks to achieve.

Top Six Metrics Deemed Most Important by the Best-in-Class to Measure Talent Management Strategy Effectiveness:

√ Quality of hire = 4.49

√ Key employee retention = 4.44

√ Employee performance = 4.32

√ Employee engagement = 4.27

√ Customer satisfaction = 4.16

√ Bench strength = 4.03

Note: A scale of 1 to 5 was used where "1" equals not important and "5" equals "most important."

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Aberdeen Insights — Best-in-Class Metrics Demand Integration

Survey respondents were asked to rate 13 distinct metrics with regard to their importance when it comes to measuring talent management strategy effectiveness. Two of the top six measures (quality of hire, and bench strength) provide insight into why companies find validating these measures with data is so difficult; and why talent management integration is critical to this validation.

Quality of hire. Aberdeen's research has shown - for two years in a row - that the top metric Best-in-Class organizations strive to measure to determine the effectiveness of their talent management strategy is *quality of hire*. Aberdeen's August 2009 report *Talent Acquisition Strategies 2009: Cutting through the Clutter and Proactively Managing Quality Candidates* provides detailed analysis of this important metric, and also revealed two primary barriers to measuring this highly sought after measure: 1) the lack of knowledge pertaining to what to measure; 2) inconsistencies due to separate workflows within numerous distinct business units.

Quality of hire is as much a post-hire metric as it is a pre-hire metric. In fact, Aberdeen's *Talent Acquisition Strategies 2009* report revealed several metrics the Best-in-Class utilize to measure quality of hire, including first year retention rate, employee performance ratings, and hiring manager satisfaction. A critical first step to understanding what to measure begins with HRs willingness to meet with the lines of business to ascertain how they would define or measure a successful employee during their first few months and initial year with the company - and the key is to minimize the subjective and focus on objective measures as much as possible. To effectively measure quality of hire, an organization needs to ascertain the development and performance progress of new employees throughout their first year with the company. This is why the ability to integrate and leverage data across recruitment, onboarding, learning, and employee performance management are key to this metric.

Bench strength: This is defined as the percent of key positions with an identified and willing successor. A key factor to building the next generation of leaders is visibility into who is performing best in their current capacity as well as who demonstrates the aptitude and attitude to be able to grow with the organization given the proper development focus, resources, and motivation.

Just as quality of hire requires the ability to track development and performance progress, so too does succession management. In addition, if it is determined that there are limited or no successor candidates, the recruitment machine should then kick-in with a focus on finding external candidates who represent the existing or developmental competencies required by the organization for the position(s) needing to be filled.

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Chapter Three:
Required Actions

Whether a company is trying to move its performance in talent management from Laggard to Industry Average, or Industry Average to Best-in-Class, the following actions will help spur the necessary performance improvements:

Laggard Steps to Success

- **Establish a business case that will garner senior management support.** Currently, only 24% of Laggard organizations have this level of organizational support for their talent management strategy. Utilize data within this research and/or your own small wins to produce a compelling reason for your organization to make talent management an organizational priority. Present findings, or anticipated findings, in the language of the business - for example, "a 10% drop in key employee turnover will equate to X dollars of savings" or a "two-week reduction in the time it takes to get our sales people to be 'customer facing' will result in 10 customer contacts, two of which will close at an average order of $100,000 per."

- **Standardize a formal talent management strategy that cuts across the organization**. Forty-five percent (45%) of Laggard organizations describe their talent management strategy as completely at the discretion of individual business units or locales. In contrast, 75% of Industry Average companies describe their strategy as standardized. Standardize on one strategy, a strategy that addresses core elements that all business units / locales must adhere to, but allow for tweaking to certain areas of this strategy to accommodate regional or cultural nuances.

- **Provide employees with visibility into development plans and progress against those plans**. Only 17% of Laggard organizations indicate this is currently in place - as compared to 42% of the Industry Average. This statistic supports employee engagement - the number three strategic action highlighted in Figure 2 of this report. In fact, Aberdeen's July 2009 report *Beyond Satisfaction: Engaging Employees to Retain Customers* found that the top strategy pursued among all organizations (64% of more than 400 survey respondents) to increase engagement was to align employee goals and development plans to organizational objectives.

- **Automate - start small and pick the right element to begin**. Sixty-one percent (61%) of Laggard organizations indicate that either they do not use any talent management software or their talent management system is entirely paper or spreadsheet based. Automation of talent management elements can have an immediate positive impact on a business. The determination of which

Fast Facts

√ Organizations that indicate their talent management strategy is integrated with their organizational (business) strategy rate their HR department as a 3.84 (on a scale of 1 t 5 where "5" is most strategic) as compared to a 3.27 rating from companies that have not integrated their talent and business strategies, and a mere 2.88 from organizations with no formal talent management strategy

element(s) to begin automation will be dependent upon your most pressing immediate and interim needs. However, no matter the choice, it is important to have an "automation strategy" - one in which your company determines how it would like to utilize the data it collects to ensure that the data can be accessed and leveraged by other elements you automate down the road.

Industry Average Steps to Success

- **HR must collaborate with other functional "talent" areas or disciplines.** This is especially critical at organizations with disparate business units or divisions. Less than one-half of Industry Average companies indicate this level of collaboration. Given the barrier that disparate workflows create to talent management integration and the ability to measure metrics (e.g. quality of hire, or bench strength) that cut across various stages of the employee lifecycle, the Industry Average must shake the "silo" mentality and bring all talent functions together in an orchestrated effort to strategically enable the business and validate its impact on that achievement.

- **Integrate your formal talent management strategy with the organization's business strategy**. Only 30% of Industry Average companies currently have this level of strategic integration, and to be fair, only 37% of Best-in-Class do as well. However, the data Aberdeen has collected from all organizations that indicate they have this strategic integration is so compelling that it would not be fair to isolate it to the Best-in-Class. For example, 89% of organizations with this level of strategy integration indicate they have senior management support of their talent management strategy versus only 57% from organizations where the talent strategy is isolated from the business strategy. In addition, 67% of organizations that indicate having this integration also indicate their talent management strategy is somewhat or strongly aligned with their organization's priorities, as compared to only 16% of organizations where the talent strategy is not integrated with the business strategy.

- **Use the same competency models (job-role specific) to recruit, develop, and assess readiness against**. Visibility is a key component to consistency, and consistency is imperative when assessing or comparing "like" candidates for hiring, merit, or promotion decisions. If your competency models have been in effect for more than one year, assess whether or not they remain valid based on changes or anticipated changes to job roles or the business.

Best-in-Class Steps to Success

- **Benchmark before and after performance to ascertain the real impact of integrating talent management processes**. Only 25% of the Best-in-Class indicate they have the ability to benchmark before and after performance to ascertain the real

impact of integrating talent management processes. It is no mystery that the best way to communicate value is through cold, hard numbers. Not surprisingly, this requires that measurements for success have been defined, and that those numbers can be used to benchmark performance against historical data. If metrics aren't in place, it becomes exceedingly difficult to make accurate and objective observations. And if benchmarking data prior to integration does not exist, it only underscores the importance of getting into the lines of business so that a determination can be made regarding data your organization will benchmark against.

- **Integrate, integrate, integrate**. The Knowledge Management section of Chapter Two provided insight into areas of data integration that roughly one-third of Best-in-Class organizations currently pursue (the integration of HR data with talent data, and the integration of talent data with other business data). This data integration is something that all Best-in-Class organizations should pursue. However, Chapter Two also highlighted that across process, system, and data integration, very few organizations indicate complete integration across all of talent management. As these organizations pursue greater integration, they should make sure they have a change management process in place to ensure communication and alignment across the appropriate stakeholder groups.

Aberdeen Insights — Summary

For those ultimately held responsible for talent management within their respective organizations, integration has two completely different but equally important meanings. Not only must there be consistency within strategy that extends across all elements in the talent management spectrum, but also the strategy needs to align with the organization's overall vision. If both aren't executed properly, talent management will suffer either from ineffectiveness or an inability to validate its business impact - the latter of which was cited by survey respondents as the top barrier to either formalizing a talent management strategy or achieving greater alignment between talent management and the business' goals.

While our research shows the vast majority of organizations have only achieved integration across two or more elements of talent management, those that have are reporting superior performance gains. Clearly, the complexity of the integration web can be staggering. But perhaps the most prescient point to consider is the fact that the clear performance advantages that most organizations are seeing can be achieved by simply taking the first few steps. While only a few organizations are fully integrated from a process, technology, and data standpoint, many have been able to realize worthwhile gains. In this sense, integration isn't a black or white concept or even a state to be reached, but a path to better visibility, communication, and ultimately better results.

Appendix A:
Research Methodology

Between November and December 2009, Aberdeen examined the use, the experiences, and the intentions of more than 340 enterprises in various industries and geographies pertaining to the integration and alignment of talent management.

Aberdeen supplemented this online survey effort with interviews with select survey respondents, gathering additional information on integrated talent management strategies, experiences, and results.

Responding enterprises included the following:

- *Job title:* The research sample included respondents with the following job titles: C-level / President (13%); EVP / VP / Partner (17%); Director (21%); Manager / GM (28%); Consultant (8%); and other (13%).

- *Department / function:* The research sample included respondents from the following departments or functions: Human Resources / Talent Management (63%); Sales / Marketing (10%); Corporate Management (7%); Information Technology (3%); and other (16%).

- *Industry:* The research sample included respondents from the following industries: education (4%), financial services (8%), government / public sector (6%), health care / pharmaceuticals (6%), manufacturing (5%), IT / consulting services (12%), software (10%), and other (49%).

- *Geography:* The majority of respondents (71%) were from the Americas. Remaining respondents were from the Asia-Pacific region (13%), Europe (13%), and the Middle East / Africa (3%).

- *Company size:* Thirty-five percent (35%) of respondents were from large enterprises (annual revenues above US $1 billion); 32% were from midsize enterprises (annual revenues between $50 million and $1 billion); and 33% of respondents were from small businesses (annual revenues of $50 million or less).

- *Headcount:* Fifty-four percent (54%) of respondents were from large enterprises (headcount greater than 1,000 employees); 27% were from midsize enterprises (headcount between 100 and 999 employees); and 19% of respondents were from small businesses (headcount between 1 and 99 employees).

Study Focus

Responding executives completed an online survey that included questions designed to determine the following:

√ The degree to which talent management is deployed in their operations and the financial implications of the technology

√ The structure and effectiveness of existing talent management implementations

√ Current and planned use of talent management software to aid operational and promotional activities

√ The benefits, if any, that have been derived from integrating talent management process / workflows, systems, and/or data

The study aimed to identify emerging best practices for talent management and to provide a framework by which readers could assess their own management capabilities as well as levels of talent management integration.

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Table 9: The PACE Framework Key

Overview
Aberdeen applies a methodology to benchmark research that evaluates the business pressures, actions, capabilities, and enablers (PACE) that indicate corporate behavior in specific business processes. These terms are defined as follows: **Pressures —** external forces that impact an organization's market position, competitiveness, or business operations (e.g., economic, political and regulatory, technology, changing customer preferences, competitive) **Actions —** the strategic approaches that an organization takes in response to industry pressures (e.g., align the corporate business model to leverage industry opportunities, such as product / service strategy, target markets, financial strategy, go-to-market, and sales strategy) **Capabilities —** the business process competencies required to execute corporate strategy (e.g., skilled people, brand, market positioning, viable products / services, ecosystem partners, financing) **Enablers —** the key functionality of technology solutions required to support the organization's enabling business practices (e.g., development platform, applications, network connectivity, user interface, training and support, partner interfaces, data cleansing, and management)

Source: Aberdeen Group, December 2009

Table 10: The Competitive Framework Key

Overview	
The Aberdeen Competitive Framework defines enterprises as falling into one of the following three levels of practices and performance: **Best-in-Class (20%) —** Practices that are the best currently being employed and are significantly superior to the Industry Average, and result in the top industry performance. **Industry Average (50%) —** Practices that represent the average or norm, and result in average industry performance. **Laggards (30%) —** Practices that are significantly behind the average of the industry, and result in below average performance.	In the following categories: **Process —** What is the scope of process standardization? What is the efficiency and effectiveness of this process? **Organization —** How is your company currently organized to manage and optimize this particular process? **Knowledge —** What visibility do you have into key data and intelligence required to manage this process? **Technology —** What level of automation have you used to support this process? How is this automation integrated and aligned? **Performance —** What do you measure? How frequently? What's your actual performance?

Source: Aberdeen Group, December 2009

Table 11: The Relationship Between PACE and the Competitive Framework

PACE and the Competitive Framework – How They Interact
Aberdeen research indicates that companies that identify the most influential pressures and take the most transformational and effective actions are most likely to achieve superior performance. The level of competitive performance that a company achieves is strongly determined by the PACE choices that they make and how well they execute those decisions.

Source: Aberdeen Group, December 2009

Appendix B:
Related Aberdeen Research

Related Aberdeen research that forms a companion or reference to this report includes:

- *Talent Management in Healthcare*; October 2009

- *Learning & Development: Arming Front-line and Mid-level Managers to Deliver People and Performance Results*; October 2009

- *Talent Acquisition Strategies 2009: Cutting through the Clutter and Proactively Managing Quality Candidates*; August 2009

- *Beyond Satisfaction: Engaging Employees to Retain Customers*; July 2009

- *Employee Performance Management: Individual Goals Boost Satisfaction Inside and Out*; July 2009

- *Employer Branding: How to Grow, Measure and Manage Your Company's Perception*; April 2009

- *Assessments in Talent Management: Strategies to Improve Pre- and Post-hire Performance*; March 2009

- *Fully On-Board: Getting the Most from Your Talent in the First Year*; January 2009

- *The 2009 HR Executive's Agenda* December 2008

- *Succession Management: Addressing the Leadership Development Challenge*; October 2008

Information on these and any other Aberdeen publications can be found at www.aberdeen.com.

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