

2010 STATE OF THE INDUSTRY REPORT

talent management magazine

EXECUTIVE SUMMARY

Methodology and Profile of Participating Organizations

For the third year, *Talent Management* magazine administered a Web-based survey to magazine subscribers in November 2009. A total of 721 respondents entered the 47-question survey. The survey gauges the issues, opportunities and attitudes in the talent management industry.

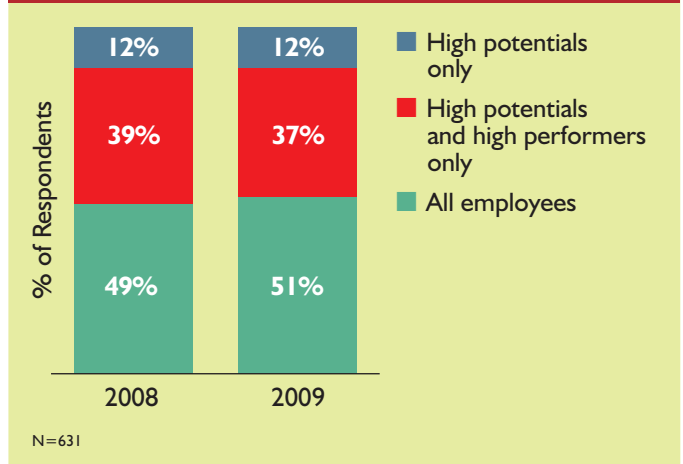
This executive summary provides a high-level summary and snapshot of the data. The full analysis is available in the 2010 *Talent Management* "State of the Industry Report," which captures the full set of data to give readers a valuable set of benchmarks and guidance for talent management decision making. The complete version of the report is \$495 each. For more information or to order a copy, visit www.talentmgt.com/research.

Talent Management Definition

Talent management refers to the process of recruiting and on-boarding new workers, developing and retaining current workers, assessing and managing workforce performance, and conducting and implementing workforce and succession planning. However, it is common for different definitions of talent management to be used. Many organizations, especially those just beginning their talent management journey, struggle to determine who should be the focus of talent management initiatives.

As shown in Figure A, more than half of organizations target employees at all levels for their talent management programs. Thirty-seven percent of organizations target high potentials and high performers only. The remaining 12 percent of organizations target high potentials only. These targets have changed very little compared to the

FIGURE A: Employee Levels Targeted for Talent Management Programs



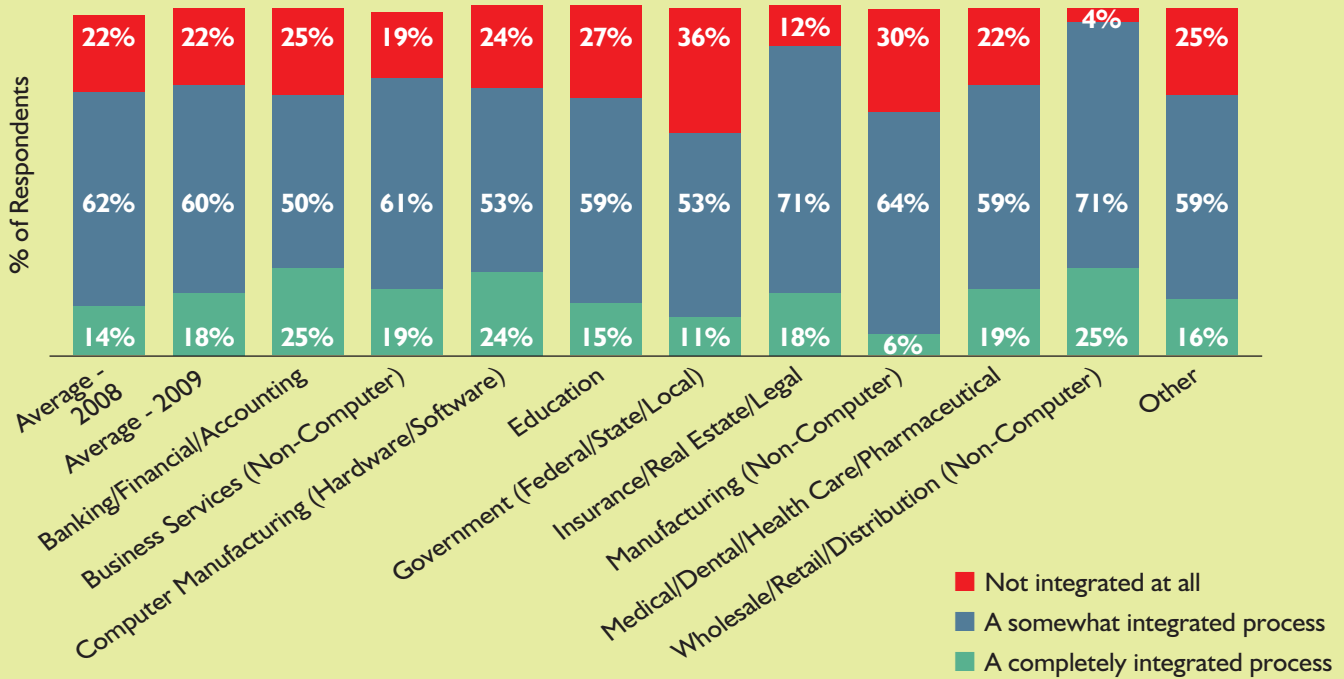
previous year. Due to the economic recession, many organizations' talent management budgets remained nearly the same in 2009, and many talent management programs remained focused on senior-level executives.

Talent Management Integration and Automation

Currently, many organizations develop their talent management systems piece by piece. The result is multiple contrasting systems, processes and policies across an organization, which has contributed to a lengthened talent management integration process. As seen in Figure B, the majority of organizations continue to struggle to integrate their systems and functions. On average, only 18 percent of organizations report that talent management is a completely integrated process.

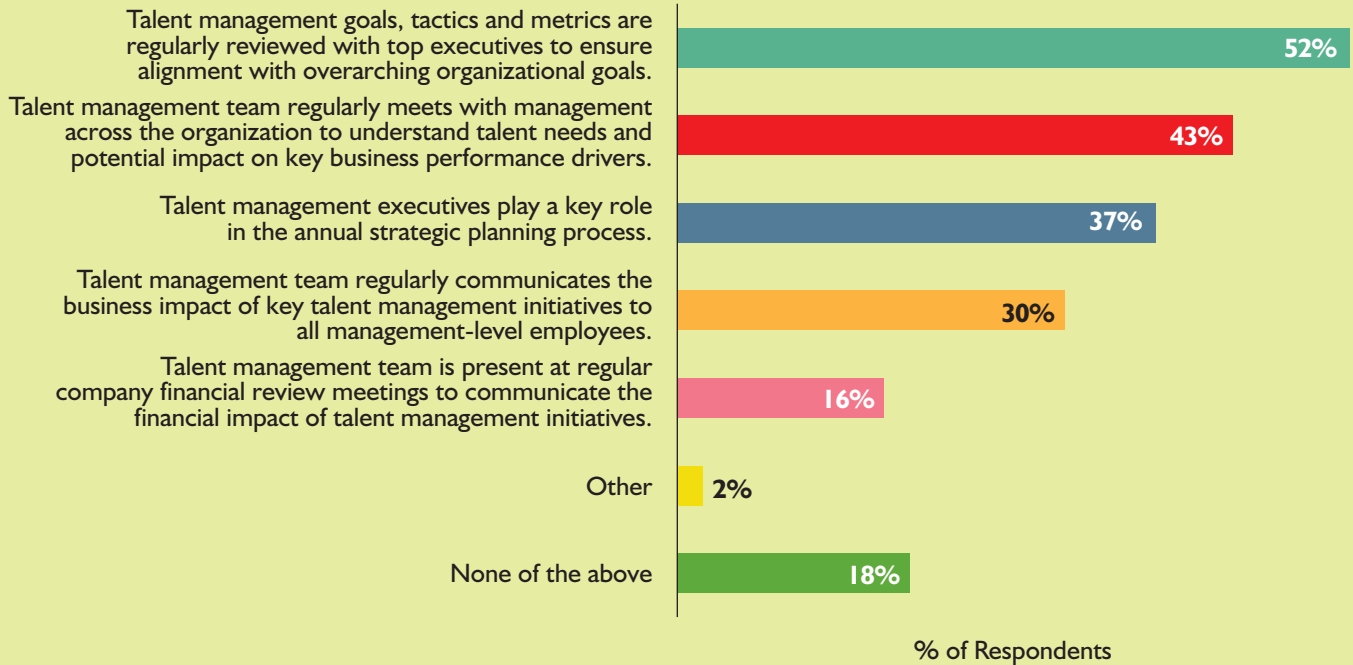
But it appears that organizations are placing greater emphasis on integration. More than half (60 percent) of respondents report that their

FIGURE B: Description of Talent Management Activity Within Organizations by Industry



N=422
 Chart values may not add up to 100 percent due to rounding.

FIGURE C: Methods Used to Tie Talent Management Efforts to Business Results

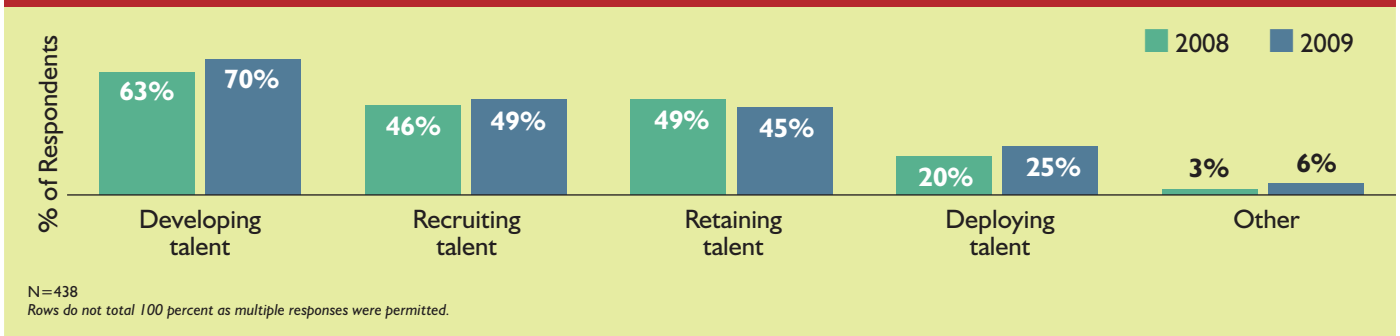


N=308

organizations utilize a somewhat integrated talent management process. In analyzing the data by industry, a relatively larger percentage (71 percent) of respondents from insurance, real estate, and legal

and wholesale, retail, and distribution organizations report having at least a somewhat integrated talent management process.

FIGURE D: Functions Representing the Biggest Talent Management Challenges Within Organizations



Workforce Analytics

Workforce analytics can provide an enterprise with a general overview of the activity of the HR department. By understanding supply and demand in HR, as well as performance gaps, HR professionals can create and implement better internal procedures for talent management, retention and succession. Despite that benefit, many organizations are dissatisfied with their organization’s measurement efforts. Most organizations that are dissatisfied report that they do not have the necessary staff or leadership support to drive a labor-intensive measurement program.

Figure C shows the most common methods and tactics used to tie talent management efforts to business results. Most common is regular review of talent management goals, tactics and metrics with top executives to ensure alignment with overarching business goals, mentioned by 52 percent of respondents. Integrating metrics is essential to ensure talent initiatives are top of mind across the executive ranks. Only 16 percent of respondents said that talent management team members are present at regular company financial review meetings to communicate the financial impact of talent management initiatives, significantly less than the other tactics. This gap represents a significant opportunity for talent managers; including talent-related metrics in financial review meetings can help establish a relationship between financial results and the impact talent is having on company performance.

Key Challenges

Figure D displays enterprises’ biggest talent management challenges. The most common

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

	2008	2009
All talent management functions collaborate on a regular basis — no functional silos exist	9%	9%
Most talent management functions collaborate on a regular basis, but a few functional silos exist	22%	26%
A few talent management functions collaborate on a regular basis, but many functional silos exist	45%	41%
Talent management functions do not collaborate (i.e., many functional silos exist)	23%	23%

N=445
Yearly columns may not add up to 100 percent due to rounding.

talent management challenge continues to be developing talent. Changing the attitude from “buying” talent to “building” talent remains an ongoing effort for many talent management professionals. This issue is multiplied by the tightening of budgets due to the recession.

The next most common challenge faced by talent managers is retaining talent, reported by almost half of respondents. Employee retention is difficult because many factors influence it, such as job satisfaction, salary, bonuses, advancement opportunities and work-life balance, and organizations cannot adjust all of them. During the recent recession, limited job opportunities forced many employees to stay put. But as the recession eases and the pace of hiring picks up, retention will likely become an even more critical issue.

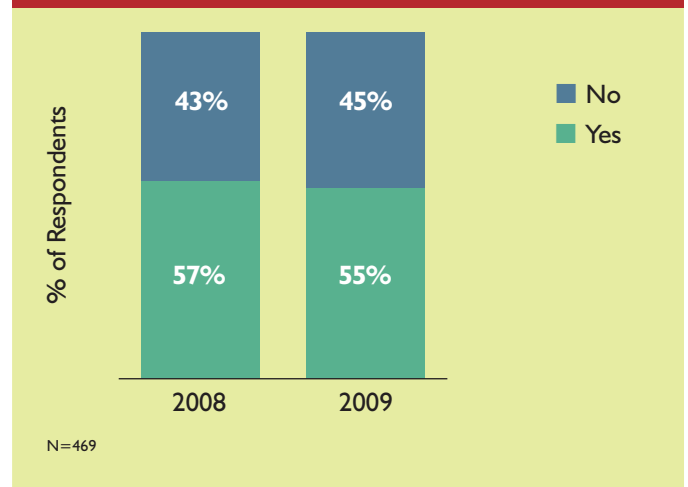
Collaboration, Planning and Investment

In looking at the level of collaboration across organizations' talent management functions (Figure E), there is little to no change since 2009. Less than 10 percent of enterprises report that all of their talent management functions collaborate on a regular basis. Almost 1 out of 4 organizations report that their talent management functions do not collaborate at all. This finding is surprising due to the benefits of partnership across various functions within talent management and business management objectives.

The level of cooperation is often driven by whether or not an organization has an executive who is responsible for planning across all talent management functions. As shown in Figure F, much of the lack of collaboration across functions today is related to the lack of this executive-level position. Fewer than 6 out of 10 organizations report having an executive responsible for the entire talent management strategy and system.

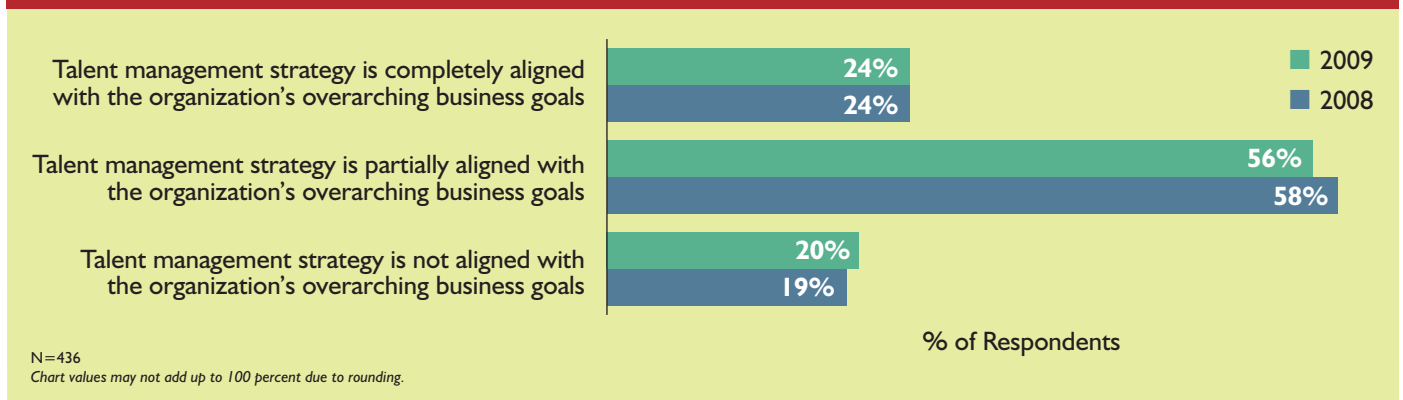
Figure G illustrates the extent to which organizations' talent management strategies are aligned with their overarching business goals. Similar

FIGURE F: Existence of Executive Responsible for Planning Across All Talent Management Functions



to 2009, the majority of respondents (56 percent) report that their talent strategies are partially aligned with business goals. The lack of alignment is cause for concern for talent and senior executives alike. Deep insight into the organization's people is critical for an organization's future success, and a lack of alignment represents a potential weakness in business strategy.

FIGURE G: Alignment of Talent Management Strategy With Organization's Overarching Business Goals



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