2009 Talent Management Factbook

Executive Summary

Karen O'Leonard

Principal Analyst

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Introduction

In today's economic environment, talent planning is a critical activity. As companies downsize and revise their business strategies, they must identify critical roles and evaluate their talent needs. At the same time, they must continue to develop and motivate employees through this difficult period. A primary focus is on how to make the organization more efficient – but remain productive and competitive.

Meanwhile, companies cannot lose sight of leadership development and succession planning. Most companies face severe shortages in their management ranks in the coming decade, but have no real leadership development or succession strategy to fill the pipeline[1].

These challenges have made talent management more important than ever. This summary provides an overview of our recent study[2], conducted in partnership with *HR Executive*, examining how organizations are conducting their talent initiatives in light of the current business environment. The research also gathers key metrics from which organizations can benchmark their HR spending, staffing and talent initiatives.

Specifically, the study addresses the following key questions.

- How is talent management organized within companies today?
- How much progress have companies made with their talent strategies and what are their top priorities for the coming year?
- How are organizations implementing their talent initiatives? What are the best practices used by high-impact companies?

1 "Leadership pipeline" refers to an organization's ongoing need to have a pool of talent that is readily available to fill positions at all levels of management (as well as other key positions) as the company grows. At each level, different competencies, knowledge and experiences are required, and (to keep the pipeline filled) the organization must have programs designed to develop appropriate skills sets. (Also known as the "leadership bench.")

2 For more information, *2009 Talent Management Factbook: Best Practices and Benchmarks in Talent Management*, Bersin & Associates / Karen O'Leonard, July 2009. Available to research members at www.bersin.com/library or www.bersin.com/factbook.

- What HRIT systems are companies using to automate their talent management processes?
- What are the key talented-related metrics that organizations can use to benchmark themselves, in terms of of HR spending, staffing, turnover and organizational performance?

Research Overview

Figure 1: Profile of Research Respondents

Number of Organizations	• 773
Size of Organizations: • 100 - 999 Employees • 1,000 - 9,999 Employees • 10,000+ Employees	 • 29% • 37% • 34%
Geographic Breakdown: • U.S. / Canada • Europe / the Middle East / Africa • Asia-Pacific • Mexico / Latin America	 • 80% • 9% • 9% • 2%
Types of Organizations: • Corporate • Nonprofit • Government • Higher Education • Education (K-12)	 • 78% • 11% • 7% • 3% • <1%

Source: *Bersin & Associates, 2009.*

In February 2009, an online survey was sent to *HR Executive* subscribers and Bersin & Associates contacts. The final sample includes 773 organizations. All companies have 100 or more employees, and represent a mix of industries. Three-quarters of the participating companies are based in the U.S. or Canada.

In addition, examples and case studies are included throughout the report to illustrate certain trends. These are based on qualitative interviews with HR and talent management executives across a range of company sizes and industries.

Key Findings

Overall, our research shows that more companies are beginning to develop integrated talent management strategies. However, there is clearly still a lot of work to be done.

The following are key findings from the research, which are explored in more detail in our full report. In addition, most of the data in this report is broken out by company size[3], geography and industry.

1. Talent Management Begins to Mature.

KEY POINT

Our research data shows that companies are starting to shift to higher levels of talent management maturity.

We categorize companies into one of four stages in terms of their talent management maturity. The numbers show a shift to higher levels of maturity.

- Just 15 percent of companies report that they have not yet started on their talent management strategy – down from 26 percent last year.
- Nearly 40 percent of companies are in the "novice" stage, in which they have just started to develop their talent management strategies.
- Approximately the same number (41 percent) are now in the "intermediate" stage – a number that has grown over the last year. These companies are developing and implementing their strategies, and have some mature processes in place.
- Five percent are in the "advanced" stage – with a clear talent management strategy, and mature and integrated processes in place today.

These figures tell us that, while there is still a lot of room for growth, companies are making progress.

3 For the purposes of this report, "company size" is defined as follows – "small" =100 to 999 employees; "midsize" =1,000 to 9,999 employees; and, "large" = 10,000-plus employees.

2. A Mature, Integrated Talent Management Strategy Yields Better Business Results.

KEY POINT

Companies with mature, integrated talent management strategies have lower turnover, higher productivity and have experienced less downsizing through the current economic recession.

Although it takes much time and effort to improve and integrate talent processes across the enterprise, the effort is well worth it. Companies in the intermediate or advanced stage (as described above) have lower turnover and have experienced less downsizing through the current economic recession. In addition, their revenues per employee is 26 percent higher than companies without an integrated talent management strategy. This should serve as motivation for companies to pursue or improve their integrated strategies.

Figure 2: Organizational Impact of Talent Management Strategy

	Intermediate or Advanced Talent Management Strategy	No Talent Management Strategy
Median 2008 Voluntary Turnover	10.0%	12%
Median 2008 Turnover among High Performers	3.0%	5.0%
Median 12-Month Turnover among New Hires	3.0%	5.0%
Percent of Companies That Downsized Workforce by 10% or More between 2008 and 2009	23%	32%
Median Revenue per Employee	$181,900	$144,400

Source: *Bersin & Associates, 2009.*

3. More Companies Are Appointing a Dedicated Talent Management Executive.

To advance their strategies, more companies are creating a dedicated role to manage talent management activities across the enterprise. Currently, 31 percent of companies have consolidated talent management activities under a single executive, up from 22 percent the past year. This talent management executive is typically responsible for leadership development, succession management, career development, performance management, learning and development (L&D), and workforce planning. Approximately one-half of the executives are also responsible for the recruiting and onboarding functions. A smaller percentage (just 25 percent) are responsible for compensation. To be fully effective, this executive needs to be actively engaged in all of these activities. Otherwise, compensation will not be aligned with performance, and recruiting and onboarding will not be fully aligned with the organization's overall talent management goals.

4. Performance Management Jumps to the Top of the Priority List.

KEY POINT

Companies with high-quality development plans have twice the revenue per employee.

The importance of performance management has grown over the past year, with 40 percent of companies naming it as their top priority. This is driven, in part, by economic conditions. In an environment of restructuring and layoffs, managers need performance data to make decisions on downsizing and compensation – and to evaluate their overall talent needs. In addition, they need to motivate employees to maintain or increase productivity, oftentimes with less staff. Performance management is also important because it is a keystone of the overall talent management process. Compensation, succession planning, career development, L&D and recruiting all depend on inputs from the performance management process.

5. Development Plans Boost Employee Productivity.

Development plans are a vital means for employees to meet their goals and fulfill their career aspirations. Our research found that development plans have a significant impact on retention and employee productivity. Companies in which most employees have high-quality development plans have 27 percent lower turnover, than companies in which few or no employees have development plans. In addition, companies with high-quality development plans have twice the revenue per employee. The bottom line is that employees who are working on improving their skills and capabilities are more productive and less likely to leave the company. Unfortunately, however, only one-half of companies report widespread use of development plans – and, of these, only eight percent say that the development plans are high quality and effective.

6. Less Emphasis on Leadership Development.

Although it remains a top priority among many companies, the importance of leadership development has fallen over the past 12 months. Recent research shows that spending on leadership development has declined, as companies allocate scarce resources toward compliance and job-specific training. Although financial troubles and restructuring may have shifted some of the focus, forward-thinking companies will continue their leadership development efforts to adequately prepare for the future. In addition, leadership development has the greatest impact on retention of any talent area. Companies with strategic leadership development programs have 62 percent lower turnover among high performers, demonstrating that the best and brightest will not work for substandard leaders.

7. Lack of Succession Planning Puts Companies at Risk.

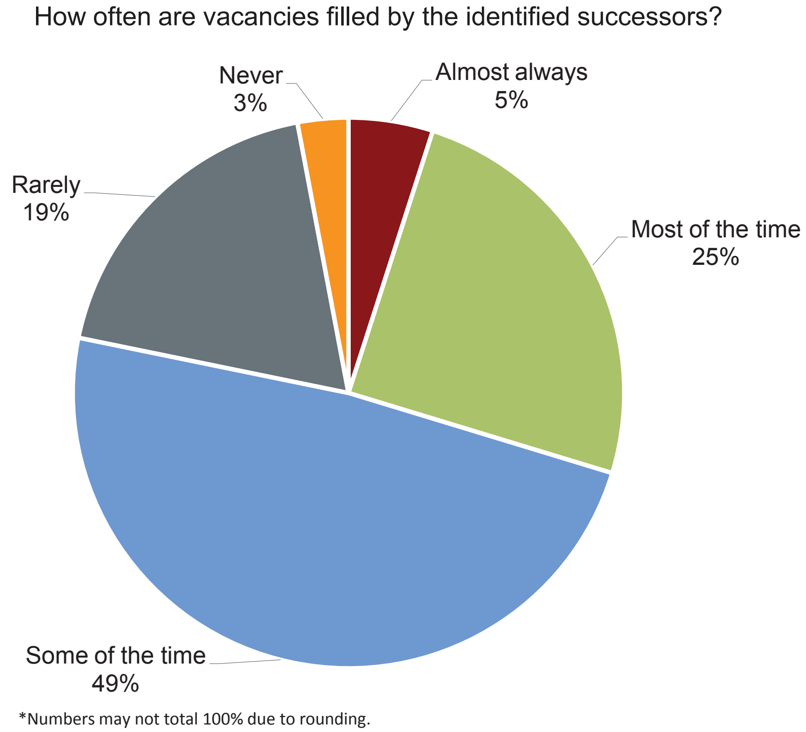
KEY POINT

Only 26 percent of companies say they have successors identified for the majority their executive positions.

Succession planning is critical to the long-term health of any organization. Yet, only 26 percent of companies say they have successors identified for the majority their executive positions. This figure is troubling, given the number of impending retirements within most companies. These organizations will likely find themselves responding reactively to changes in leadership, relying on the external market for succession candidates – or on ill-prepared internal candidates. In addition, a formalized succession management process helps an organization retain its best people. Companies with such a process have 50 percent lower turnover among high performers, who are more likely to be committed to a career with a company if they are being groomed for a future position.

But even among companies that have identified succession candidates, the process is breaking down. Our research found that only 30 percent of companies said that identified successors typically fill their intended positions (see Figure 3). This means that organizations need to evaluate how they identify and develop successors – as well as how they communicate with successors. Transparency in the communication process is key to avoid surprises or missteps when a vacancy occurs.

Figure 3: Percent of Vacancies Filled by Identified Successors*



Source: *Bersin & Associates, 2009.*

8. Strategic Workforce Planning Slow to Evolve.

Workforce planning is still fairly immature in most organizations. Approximately one-half of all companies are still limited to using information on current open headcount for planning purposes. Approximately one-third of organizations are looking beyond just headcount to include their current skills gaps – an increase over last year's figure. Unfortunately, however, most companies are not yet planning for the future – just 17 percent say they are forecasting their skills gaps over the next one to three years. Faced with downsizing, many companies have conducted workforce planning in a short-term, reactive manner.

A longer-term approach is much more effective – in which organizations align their talent and business plans, forecast the critical skills needed, and analyze the supply and demand of talent. Companies that engage in this type of strategic workforce planning have 47 percent lower turnover among high performers and 33 percent lower turnover overall. Having the right people in the right jobs is obviously another effective way to retain employees.

9. Fragmentation in HR Systems.

Most HR and line managers find it difficult to access information about the current "state of talent." This problem has been confounded by the proliferation of a wide range of different systems. Nearly all companies are using an HR management system (HRMS) to manage employee records, and approximately two-thirds are using recruiting / applicant tracking systems (ATS) and performance management systems. Compensation and learning management systems (LMS) are also widely used. The problem is that these systems are largely independent – meaning there is little, if any, sharing of data between applications. As more companies pursue an integrated systems strategy, they are increasingly turning to integrated talent management suites – platforms that leverage the same data, user interface, workflow management, security model and tools. We expect adoption of these suites to increase over time.

10. Talent Metrics Useful for Benchmarking.

This year's talent metrics are designed to help HR organizations make decisions on how to budget and staff their operations. Turnover rates and productivity measures are also important to assessing the health and performance of their workforces.

The data shows that total HR spending within U.S. companies averages from $1,087 per employee within large companies to $2,185 per employee within small firms. Staffing of the HR function varies, from 7.3 HR personnel for every 1,000 employees to 11.2 staff per 1,000 employees, depending upon company size.

Turnover metrics show an average of 10 percent total voluntary turnover in 2008 among small and midsize firms. Large companies had a slightly higher figure at 12 percent. Another important metric is the turnover among high performers – these are individuals who the organization desperately wants to keep. This metric is *(and should be)* lower than overall turnover, at two percent to three percent within small and midsize firms, and six percent within large companies. As discussed in this report, the impact of talent management on business and talent metrics is profound. By pursuing an integrated talent management strategy and improving certain talent processes, a company can improve its metrics significantly.

About the Industry Report

KEY POINT

Throughout the industry report, best practices are highlighted and case studies are incorporated to emphasize key points.

Our industry report reveals the state of talent management today and trends over time, including comparisons of data by company size, industry and geography. Throughout the report, best practices are highlighted and case studies are incorporated to emphasize key points.

The report also provides a series of metrics from which organizations may benchmark themselves, as outlined in Figure 4. These metrics will help organizations determine the following.

- Is my HR spending in line with other companies?
- Does my organization have the right number of HR staff?
- How does voluntary turnover in my organization compare with the rest of the industry?

Figure 4: Key Metrics (provided in the industry report)

Total voluntary turnover	Voluntary turnover among high performers
HR payroll spending	Voluntary turnover among new hires
Percent of workforce reduction / downsizing in 2008	Number of HR staff per learner

Source: *Bersin & Associates, 2009.*

By providing detailed data and in-depth analysis, the report is designed to provide your organization with actionable insights and support for your talent management strategy, planning and implementation.

(Please see, 2009 Talent Management Factbook: Best Practices and Benchmarks in Talent Management[4]*, for complete details.)*

4 For more information, *2009 Talent Management Factbook: Best Practices and Benchmarks in Talent Management*, Bersin & Associates / Karen O'Leonard, July 2009.

About Us

Bersin & Associates is the only research and advisory consulting firm focused solely on *WhatWorks*® research in enterprise learning and talent management. With more than 25 years of experience in enterprise learning, technology and HR business processes, Bersin & Associates provides actionable, research-based services to help learning and HR managers and executives improve operational effectiveness and business impact.

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About This Research