

2009
State of Global
Talent Management



Executive Report

2009 State of Global Talent Management

Fourth Annual Softscape Global HR Survey Reveals That 3-out-of-4 Companies Now View Integrated Talent Management As Mission Critical

Integrated Talent Management Top Priority

In the midst of a global economic slowdown, and amid nearly continuous reports of job cuts, it is perhaps ironic that people management – also known as talent management or human capital management (HCM) – has been thrust to the forefront of corporate strategy. Indeed, 74% of the organizations surveyed – and 83% of large enterprises – now believe that integrated talent management is mission critical.

Layoffs, mergers and acquisitions, and budget and headcount constraints will always impact HR operations. Yet even in the down economy, HR leaders are seeking to build and enhance their talent infrastructure to better prepare for the challenges that lie ahead. These challenges present opportunities to HR leaders with the foresight and wherewithal to capitalize on them. In ranked order of importance, the top HR challenges for 2009 are:

1. Hiring skilled talent & filling key positions
2. Improving leadership succession pipeline
3. Engaging & motivating the workforce
4. Identifying & retaining high performers
5. Building a performance-oriented culture

The goal of every HR organization must be to improve workforce efficiency and effectiveness to drive overall business performance, regardless of the ever changing economic environment. Hiring, developing, engaging, and retaining high performing talent is the key to achieving this goal. A robust talent management strategy, enabled by integrated software, provides the means for achieving this goal.

Smart CEOs and HR leaders are not sitting on the sidelines. They realize that now is the time to act, so that their organizations can emerge as stronger entities when the economic picture inevitably improves.



83%

*of large enterprises
view integrated talent
management as
mission critical*



73%

*of HR professionals
believe that integrated
talent management
positively impacts
financial performance*

Defining Mission Critical Talent Management

Put simply, mission critical talent management establishes the credible linkage between strategic HR processes and systems and the business results and outcomes they drive. This means:

- Long-term strategic thinking and vision vs. tactical short-term fixes
- Integration of disparate HR functions, processes, and systems into a fully integrated talent ecosystem
- Extension of talent functions to new groups and individuals (both HR and line-of-business) within the workforce
- Emphasis on business results & workforce productivity
- HR is the catalyst to drive business performance while containing costs
- Use of analysis tools to consistently measure, analyze, and fine tune talent processes

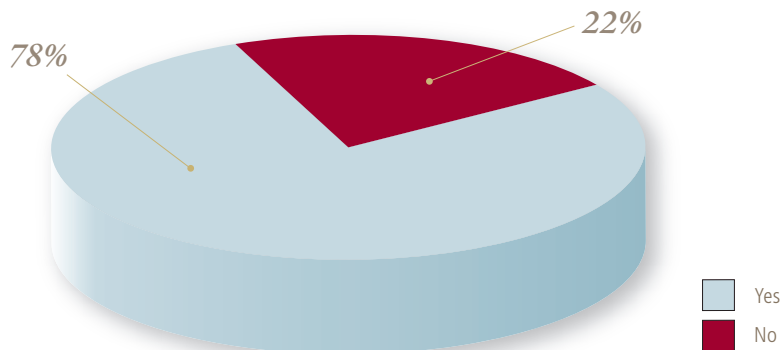
Mission critical talent management establishes the credible linkage between strategic HR processes and systems and the business results and outcomes they drive

More than 70% of companies believe that organizations with integrated talent management strategies and processes have better financial performance than those that have not integrated their talent functions. Integrated talent management facilitates the hiring, development, engagement, and retention of high performing talent, which in turn drives bottom-line financial performance, customer satisfaction, and competitive advantage. Researchers such as Accenture, McKinsey, and Towers Perrin have also empirically validated these linkages.

New talent management strategies, tools, and techniques have emerged that provide real business value, thereby helping HR to elevate its standing with the CEO and other senior management. Indeed, nearly 80% of HR professionals now believe that HR has become a strategic contributor to the business (see Figure 1). In fact, companies with integrated talent management strategies in place are nearly twice as likely to view HR as strategic. Virtually gone are the days when HR is viewed as merely a transactional, back-office, tactical function.

Companies with integrated talent management strategies are nearly twice as likely to view HR as strategic

Figure 1. Is HR Viewed As A Strategic Contributor To The Business?



HR professionals also believe that their workforces are much better prepared than a year ago to meet their companies' future plans. While only 5% are highly prepared, the percentage of HR professionals that believe their workforces are unprepared to meet their companies' future plans decreased significantly, from 94% in late 2007 to 59% in late 2008.

Yet despite a great deal of progress having been made in the last year, there are still many challenges to work through and much work to be done. For instance:

- Nearly two-thirds of HR professionals in large enterprises (more than 5,000 employees) still believe their workforces are not adequately prepared to meet their companies' future plans.
- Small- and medium-sized businesses (SMBs; less than 1,000 employees) are slightly more prepared, but have not been nearly as successful as large enterprises in convincing their CEOs that talent management is mission critical. Only 67% of SMBs view integrated talent management as mission critical vs. 83% of large enterprises.
- More than 70% of companies are still primarily paper-based in two or more of their key talent management processes, with smaller companies lagging behind significantly. Significant cost savings can be achieved through technology-enabled automation alone.
- The current economic crisis is forcing companies to do more with less. Thirty-five percent of companies have seen their overall HR headcount slashed, with larger enterprises under significantly more pressure than smaller ones. And, nearly 60% of companies reveal that a more detailed business case or return-on-investment (ROI) analysis is now required when seeking funding for HR technology projects.



Integrated Talent Management & Business Outcomes

A critical requirement of talent management is the continuous measurement and demonstration of HR business outcomes. Indeed, two-thirds of the companies surveyed – and 76% of large enterprises – believe that it is very important to measure and communicate the impact of their HR programs with metrics, key performance indicators (KPIs), and workforce analytics.

When asked how various talent management strategies impact their business, the majority of HR professionals agreed on the following:

- 73% – Companies with integrated talent management strategies and processes have better financial performance than those that do not.
- 66% – Companies that have linked learning management to other core talent functions have stronger revenue growth.



- 56% – Succession planning, when extended to the entire workforce, positively impacts sales growth.
- 52% – Increasing the focus on measuring workforce performance is critical to identifying and retaining high performers.

The common themes demonstrated by companies that have successful, mission critical talent management strategies in place are **integration** of disparate HR and talent functions and **extension** of these functions to new groups and individuals – both HR and line-of-business – within the workforce.

Applying Talent Management Technology

While technology is not a proxy for a well thought-out strategy, a robust and flexible technology foundation is an essential enabler for mission critical talent management. The technology foundation provides a best practices platform for information integration and process optimization.

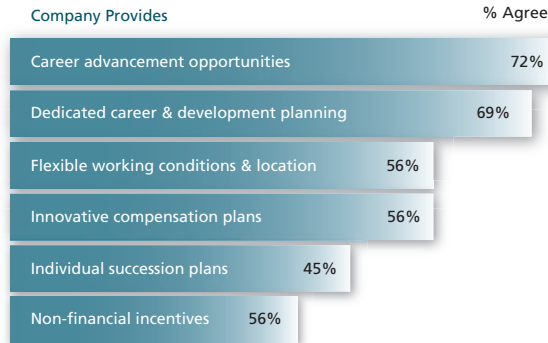
HR professionals identified several key talent management technology priorities for 2009. In order of ranked importance, key future investment plans include:

- **Succession Planning:** The discipline has broadened in both breadth and scope to become a central component of strategic talent management as labor shortages, shifting workforce demographics, and globalization continue to pose challenges. Succession planning penetrates only the highest levels of the organizational hierarchy today: More than 80% of companies currently focus their succession planning efforts on the top three levels of the hierarchy, including top management. Yet a most dramatic transformation is underway: Within the next 12 months, more than 40% of companies plan to extend succession planning down to four levels of the hierarchy or lower. Succession planning also highlights the importance of linking disparate HR and talent processes since the discipline touches multiple functions, including performance management, 360 feedback, learning management, and career & development planning. Yet a key challenge facing many companies is that succession planning is currently the least automated talent management process, with 67% of companies that employ a succession planning process still primarily paper-based.
- **Career & Development Planning:** To their regret, many companies cut back on their learning and development programs during the recession of 2001. The inevitable result was a multi-year rebuilding effort just to get back to the status quo. Virtually all (97%) HR professionals believe that a systematic career & development planning process has a positive impact on employee retention and engagement. In fact, career advancement opportunities and dedicated career & development planning are ranked the two most impactful ways to retain high performing employees (see Figure 2). Furthermore, nearly two-thirds of companies have tied or plan to tie (within 12 months) employee career & development planning to learning management in order to facilitate training and course work.

Integration of disparate HR functions and extension of these functions to new groups and individuals are at the heart of mission critical talent management

Succession Planning is the highest ranked HR technology priority for 2009

Figure 2. Most Effective Ways To Retain High Performers



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- Employee Talent Profiles:** Poised to enjoy significant growth as companies move to centralize and make more accessible all of the relevant talent information about employees. This information includes core employee record details (e.g., name, address, marital status), task summaries, performance history, career preferences, awards, certifications, professional experience, payroll history, absence history, equipment, security details, and so on. A single, fully integrated talent management technology platform is a prerequisite for centralized talent profiles.
- Hiring & Recruiting / Applicant Tracking:** Among the most widely penetrated of HR technologies (64% of companies currently use an ATS), hiring & recruiting technology is nevertheless a key priority for many companies as they seek to replace outdated and inflexible legacy systems. Hiring is not simply a search issue, it is also an assessment issue. The cost of hiring the wrong person ranges from 5-7 times that person’s annual salary. Traditional applicant tracking systems helped manage processes for requisition creation and résumé searching. Yet these systems neglected one critical element of effective hiring: “Will the candidate actually succeed at the job?” By hiring right the first time, companies can dramatically improve employee retention.
- Workforce Analytics & HR Reporting:** HR leaders are constantly looking out for better metrics, particularly salient cross-functional metrics, in order to consistently measure, analyze, and fine tune talent processes as well as improve credibility with their CEOs. Recruiting and hiring statistics account for 3-out-of-4 of the most widely used HR metrics today, indicating that the majority of HR organizations continue to measure their effectiveness based on how long it takes to fill a position, how much it costs, and where candidates are sourced (e.g., internal or external). While current metrics used in HR today can only be described as “tactical,” explosive growth in the use of more “strategic” metrics is expected during the next year. These high-growth metrics include: On-boarding

An integrated talent management platform is a prerequisite for centralized talent profiles

The cost of hiring the wrong person ranges from 5-7 times that person’s annual salary

effectiveness, impact of training on performance, return-on-investment, and workforce productivity. As talent management matures within companies, and specific HR functions come together into integrated talent ecosystems, the planned use of metrics that expose HR linkages (e.g., impact of training on performance) is only natural.

- **Social Networking & Web 2.0:** Use of Social Networking & Web 2.0 in the context of talent management is poised for the largest growth (189%) in the next 12 months, although it must be noted that these technologies are the least penetrated within organizations today (only 9% of companies currently using), so the growth comes from a small starting base. The application of social networking concepts to learning, community development, knowledge management, and hiring are where the most significant impacts will be seen within HR. Companies are advised to proceed cautiously with these new technologies, starting with small pilot groups for testing and promoting the new tools in a grassroots fashion.

Use of social networking technologies is poised for 189% growth in 2009, but organizations must proceed cautiously

Talent Management Vendor Selection

Selecting the right vendor with which to partner is very important, especially in a consolidating market with numerous unprofitable vendors (see Figure 3). Not surprisingly, in today's down economy, 4-out-of-5 of the top evaluation criteria pertain to cost/pricing and customer support/satisfaction. Customer care and support are top-of-mind for HR buyers because they reflect a growing trend of buyers to form long-term relationships with their vendors. Buyers do not want to be treated as "just another customer" and require dedicated customer care and account management from their vendors.

Technology configurability (vs. programming to make changes) rounds out the top-five vendor selection criteria, as buyers look to solutions that do not require complex and costly customizations to match the technology to their business processes and requirements. Integrated technology platform follows closely behind as HR leaders look to consolidate multiple (legacy) systems into a single talent-based system of record.

Technology and product-related functionality criteria are also viewed as important by HR buyers, but not at the expense of cost/pricing, customer support/satisfaction, and technology flexibility. Vendor profitability/viability and vendors' ability to form meaningful, long-term partnerships with customers are also important criteria.

Vendor global experience and expertise is important when analyzed in the proper context. For instance, companies in Europe and Asia value global experience and expertise significantly more than companies in North America, likely due to the fact that most talent management vendors are headquartered in the U.S. Companies that operate in only one country (39% of the sample) not surprisingly place little to no value in vendors' global capabilities.

At the bottom of the evaluation criteria importance scale is "vendor is expanding and growing rapidly." HR buyers could not care less about their vendors' growth – they simply want to partner with vendors that are financially secure, have a strong long-term vision, and can meet their needs and support them in an effective manner.

Explosive growth in the use of more "strategic" HR metrics leveraging workforce analytics is expected during 2009

Cost/pricing, customer support/satisfaction, and technology configurability are top of mind for HR buyers

Figure 3. HR Buyer’s Guide: Vendor Evaluation Criteria Importance*



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HR buyers clearly value establishing long-term partnerships with profitable and viable vendors

For obvious reasons, vendors’ global experience and expertise is important only to larger multi-national organizations

Companies will continue to use all deployment options when deploying talent management software, although SaaS is growing the fastest

Software Deployment

Today, the majority of companies (61%) prefer traditional on-premise deployment for talent management software, but significant growth (131%) is expected for multi-tenant software-as-a-service (SaaS) deployments. Many talent management vendors have shifted to SaaS-only to reflect this trend, yet even within the next 12 months, companies will still prefer flexibility, with on-premise preferred by 45% of companies and the remainder split roughly equally between single-tenancy hosted and multi-tenant SaaS. HR buyers clearly do not want to be forced into a single option.

Perhaps the most interesting finding is that company size (by number of employees) is irrelevant in determining deployment preference. Large enterprises, mid-market companies, and smaller firms all have very similar current and future deployment preferences. The conclusion to be drawn is that SaaS is no longer viewed as an option for only smaller organizations – larger enterprises are embracing it equally.

How To Make Integrated Talent Management Mission Critical

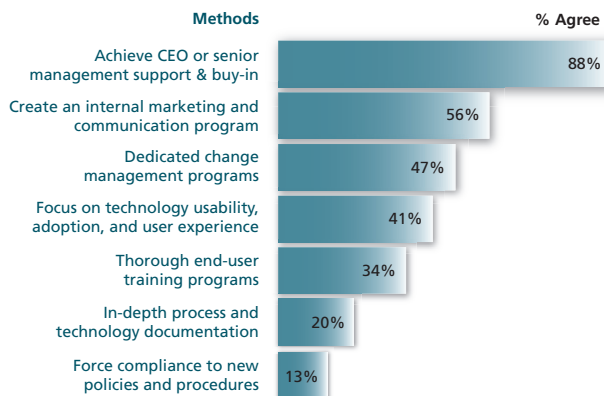
HR leaders can take several steps to increase the visibility of their efforts, impact the bottom line and drive business performance, and become mission critical contributors to their organizations. These steps include:

- Create a sense of urgency within your organization:** Key to achieving this is CEO and senior management support and buy-in (88% of HR professionals believe so). Internal marketing and communications programs are also highly effective (56%). Building support for integrated talent management must be both a top-down and bottom-up (i.e., grassroots) exercise (see Figure 4).
- Focus on strategic areas that have bottom-line implications:** These include succession planning, employee development, hiring & recruiting, and workforce analytics. Establishing credible metrics and KPIs via workforce analytics to monitor program effectiveness is essential.
- Consistently demonstrate HR's positive impact on the business:** Thinking beyond the tactical metrics currently employed today to more salient, cross-functional metrics. These include workforce productivity, impact of training on performance, on-boarding effectiveness, and talent management ROI.
- Choose the right technology partner:** Look for profitable and viable vendors that have a strong customer care and support track record, a configurable and flexible technology platform, a functionally complete talent management product suite, a single integrated platform, and are willing to form meaningful, long-term partnerships.

Building support for integrated talent management must be both a top-down and bottom-up exercise

Establishing strategic, cross-functional metrics is key to demonstrating HR's impact on the business

Figure 4. Most Effective Ways To "Sell" Integrated Talent Management Internally



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HR leaders have a mandate to help their organizations emerge as stronger entities when the economic environment improves

Conclusion

The global economic crisis has highlighted something that just about every HR leader – and CEO for that matter – intuitively knows: engaged, high performing people drive business success. It is just more important to have these type of people in the game when things turn rough because it is most certainly not going to be the low-performers who help. Integrated talent management facilitates the hiring, development, engagement, and retention of high performing talent, which in turn drives bottom-line financial performance, customer satisfaction, and competitive advantage. Quite simply, this is why it is mission critical.

Survey Methodology

Softscape Research interviewed more than 200 HR leaders from around the world via a web-based survey in late 2008. The sample represented a diverse collection of more than twenty industries and was roughly evenly distributed among large enterprises (more than 5,000 employees; 54% of sample) and small- and medium-sized organizations (100-5,000 employees; 46% of sample). More than 60% of the organizations surveyed operate in two or more countries and nearly 40% operate in six or more. Respondents answered a variety of questions pertaining to their HR and talent management strategies, initiatives, challenges, plans, and goals.

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About Softscape

Softscape is the global leader in integrated people management software that enables organizations to more effectively drive their business performance.

Recognized by industry analysts as the most comprehensive strategic human capital management (HCM) solution, Softscape provides complete employee lifecycle management, including a core system of record, in a single, integrated platform for improved business intelligence.

The company offers customers of all sizes and in all industries the most flexibility and choice with multiple purchase, configuration, and deployment options. For more than a decade, Softscape has helped millions of workers across 156 countries be more successful at their jobs while contributing to bottom-line results.

Softscape's customers represent Fortune 500/Global 2000, mid-market, and government organizations, including Procter & Gamble, Barclays, AstraZeneca, Seagate, ALFA, GKN, Edcon, LandAmerica, and the U.S. Department of Homeland Security.

Softscape is based in Massachusetts with offices in London, Sydney, New York City, Chicago, San Francisco, Hartford, Washington, D.C., Bangkok, Hong Kong, and Johannesburg.

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