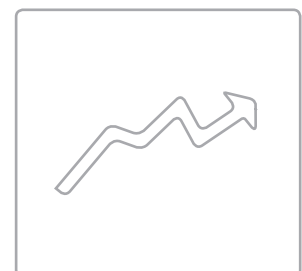
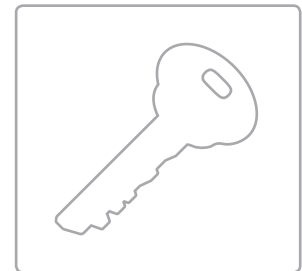




THE TALENT-READY ORGANIZATION:

Key Factors

Impacting Your Bottom Line



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Introduction

The phrase “Talent Age” was coined by executive recruiter Alan Guarino to refer to the environment of constant change companies face in the frenetic global marketplace of the twenty-first century. No longer are businesses focused on materials and machines, as they were in the Industrial Age, or specialized information workers, as they were in the more recent Knowledge Age. The prime competitive differentiator is now an organization’s ability to find, develop, and align talent to successfully adapt and innovate in a fluid marketplace.¹ It’s not about what you can do today so much as what you can learn to do tomorrow.

¹ Guarino, Alan, “Smart is Not Enough!: The South Pole Theory and Other Powerful Talent Management Secrets,” John Wiley & Sons, 2007, pp. 23-24.

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The Talent-Ready Organization: Key Factors Impacting Your Bottom Line

The Challenge of Talent Management

Most executives and managers understand the critical role of talent in today's economy. But most still struggle to integrate meaningful talent management practices broadly throughout the organization. A recent study by Bersin & Associates showed that 28% of participating companies are still at the first level of Bersin's widely-adopted Talent Management Maturity Model. At that level, talent processes are developed in separate "silos" with little or no coordination. The largest segment of companies (45%) have reached level two, while only 27% have reached levels three or four, where processes are truly integrated.

The high cost of lip service

There remains a distinct lean toward the bottom half of the Bersin model, and the causes may seem familiar. Initiatives for positive change in the workplace are often inconsistent in timing and nature. The right words or phrases are expressed enthusiastically by champions of change in the organization, while other managers do the minimum required, or less. Systems are implemented, but their business value may go largely unexplored. If managers and employees don't personally experience the benefits of integrated talent management – better products and services, broadening of career opportunities, customer and employee satisfaction, tighter alignment of work to business goals, and lower employee turnover – then it becomes a superficial act, greeted with lip service and resources, but not widely pursued as a business priority.

Speaking the language of talent management is not enough, nor is enthusiasm in some quarters of the organization. Companies need to know what elements of talent management lead to concrete success in developing talent broadly throughout the organization, which steps lead to deep integration of talent management processes, and, most importantly, which can substantially impact a company's bottom line.

Examining the business impact

To examine which factors have the strongest impact on developing and aligning employee talents and which, in turn, have the most impact on a company's bottom line, MindLeaders conducted a survey of medium and large businesses and their talent-ready practices. The survey included a series of questions aimed at gauging current practices for three basic dimensions of a talent-ready organization. It also solicited information regarding performance in terms of a company's profits and levels of customer satisfaction. The results and conclusions presented here represent the responses of the 170 organizations that participated in the survey from March to June 2012.

¹ Guarino, Alan, "Smart is Not Enough!: The South Pole Theory and Other Powerful Talent Management Secrets," John Wiley & Sons, 2007, pp. 23-24.

² "Top Executives Cite Competition, Global Economy, Attracting and Retaining Talent as Top Threats to their Companies' Success, Accenture Survey Finds," Accenture report, January 22, 2008.

³ O'Leonard, Karen, Bersin & Associates Research Bulletin, Volume 5, Issue 42, November 4, 2010.

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The Talent-Ready Assessment

What does it mean to be talent-ready?

A talent-ready organization is one that is prepared and motivated to contend with the next challenge. Challenges are met by people, and the talent-ready organization has the human capital infrastructure in place to give people the right skills to work on the right projects in the right roles. They do this by focusing on three key areas:

1. **Goal Alignment:** Strategy execution fails in large part due to differing goal priorities. When your best people spend their valuable time doing a fantastic job on all the wrong tasks, success will be elusive. Getting everyone on the same page is a high-impact process.
2. **Skill Development:** You want your employees to do and build great things. But are you building great employees? Great employees are built by great managers who make development a priority.
3. **Talent Mobility:** Moving employees from role to role across leadership and functional areas is common practice in organizations that understand the need to quickly transform as business needs change. Talent mobility planning must strike a balance between the needs of the organization (making sure key roles have fully developed pipelines) and the employee (your best performers will leave if they do not see new challenges).

A series of questions were formulated to assess current organizational performance in each of these three dimensions of the talent-ready organization. Separate scores were calculated for each area, and the three scores were averaged to produce an overall talent-ready score for the organization. These findings and associated recommendations were then provided to participating companies through individualized talent-ready reports.

Assessment Categories

The three dimensions of a talent-ready organization were measured on a 100-point scale. To interpret results, the scale was segmented into four parts:

1. A score **below 35** reflects a **Novice Organization** that does not have the foundational processes in place to develop and align talent.
2. A score between **36 and 70** reflects an **Intermediate Organization** that employs some best-practices in goal alignment, skill development, or talent mobility, but they are isolated or limited in scope.
3. A score between **71 and 85** reflects an **Advanced Organization** with multiple processes in place. Organizations at this level are on their way to driving future returns on their talent investments.
4. A score between **86 and 100** indicates an **Expert Organization** that gets the most out of its employees. Employees in Expert Organizations know how their jobs relate to organizational objectives, have strong relationships with their managers, grow their skills and responsibilities, and see a career path within the organization.

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Findings and Implications

Overall results

For the 170 organizations in the survey, the average overall talent-ready score is 40, which is at the low-end of the Intermediate range. Many companies in the sample are currently using a few best-practices, but not applying solid talent management principles widely throughout the organization.

The average score for Goal Alignment was 52, while Skill Development and Talent Mobility scores lagged behind at 38 and 32, respectively. What does this mean? Companies are generally taking steps to set goals and align staff with the objectives of the organization, but they're doing less well at developing employee skills, and relatively poorly at aligning talent with optimal roles in the organization. The average organization still rates at the Novice level on Talent Mobility.

The correlations between talent-ready measures and several indicators of organizational success, such as profitability, customer satisfaction and employee satisfaction, can be seen in the infographic below.

Variables	
Overall Talent-Ready Score and Profitability	+ 5%
Overall Talent-Ready Score and Customer Satisfaction	+ 10%
Overall Talent-Ready Score and Employee Satisfaction	+ 10%
Goal Alignment and Profitability	+ 4%
Goal Alignment and Customer Satisfaction	+ 6%
Goal Alignment and Employee Satisfaction	+ 6%
Skill Development and Profitability	+ 2%
Skill Development and Customer Satisfaction	+ 7%
Skill Development and Employee Satisfaction	+ 7%
Talent Mobility and Profitability	+ 8%
Talent Mobility and Customer Satisfaction	+ 11%
Talent Mobility and Employee Satisfaction	+ 11%

The overall talent-ready score for an organization contributed 5% to the profitability value measured in the survey. Overall talent-ready scores had a greater impact on customer and employee satisfaction, accounting for 10% of a company's scores in both areas.

Goal Alignment, Skill Development and Talent Mobility

Talent Mobility had a powerful impact on the bottom line in several ways. By itself, Talent Mobility accounted for:

- 8% of an organization's profitability
- 11% of customer satisfaction
- 11% of employee satisfaction

The ability of a company to develop careers, move people into appropriate roles, and plan for succession is highly relevant to basic measures of organizational success.

This relationship is all the more dramatic when placed in the context of low organizational scores in this area. Most companies are at the Novice level, even though Talent Mobility is the dimension with the strongest relationship to profitability, customer satisfaction, and employee satisfaction. This suggests considerable potential for companies to improve overall performance through upgrades in their alignment and succession practices.

The other two dimensions of a talent-ready organization – Goal Alignment and Skill Development – had weaker correlations with profitability (4% and 2%, respectively), but significant impact on the other two measures. Goal Alignment impacted customer and employee satisfaction by 6%, and Skill Development impacted both measures by 7%.

A closer look at Talent Mobility

To understand the role of Talent Mobility in organizational performance, it helps to look at each of the individual measures from that portion of the assessment. The table below shows correlations between five specific Talent Mobility measures and three organizational performance measures.

Talent Mobility Measure	Profitability	Customer Satisfaction	Employee Satisfaction
Employees see a career path	+ 3%	+ 2%	+ 2%
Breadth of succession planning	+ 3%	+ 9%	+ 9%
Fewer barriers to career and succession planning	+ 3%	+ 1%	+ 1%
Alignment of employees to roles	+ 7%	+ 4%	+ 4%
Number of mobility practices in use	+ 3%	+ 11%	+ 11%

The measure with the greatest impact on profitability was alignment of employees to appropriate roles in the organization.

- Lower values on alignment were recorded for companies that use a “gut feel” to assign jobs
- Higher values on alignment were recorded for companies that use competency-based assessments

When respondents were asked to identify which Talent Mobility practices are currently in use in their organizations, the use of more practices to drive mobility – such as stretch assignments, job rotation, target jobs, and assessments – accounted for 11% of customer and employee satisfaction ratings. Another 9% was attributable to the breadth of succession planning.

Impact of specific Talent Mobility practices

Closer examination of the answers companies provided on specific practices also gives us a more detailed view of Talent Mobility's impact. The table below shows the impact of four specific Talent Mobility practices on three broad measures of organizational performance.

	Average Profitability	Average Customer Satisfaction	Average Employee Satisfaction
Full Sample	+ 4.0%	+ 4.0%	+ 4.0%
Organizations that Use Target Jobs	+ 6.0%	+ 11.5%	+ 11.5%
Organizations that Assess Employee Potential	+ 4.5%	+ 7.0%	+ 7.0%
Organizations that Use Stretch Assignments	+ 6.0%	+ 6.5%	+ 6.5%
Organizations that Use Job Rotation	+ 7.5%	+ 7.0%	+ 7.0%

As indicated in the first row, average increases in profitability, customer satisfaction and employee satisfaction for the full sample were all 4%. Use of a single Talent Mobility practice – job rotations – raised the yearly increase in profitability to 7.5%. Target jobs and stretch assignments were also reasonably impactful, raising profitability from 4% to 6%.

All four Talent Mobility practices had substantial positive effects on both customer and employee satisfaction. Using target jobs to develop employees had the biggest impact, boosting increases in customer and employee satisfaction from the 4% average to 11.5%.

Measuring program performance

Participants in the Talent-Ready survey were asked to indicate what metrics are currently in use at their organization to gauge performance of their talent management processes. The number of metrics in use had small correlations with organizational profitability, customer satisfaction and employee satisfaction that suggest between a 3% and 5% impact on those performance ratings.

Number of Talent Management Metrics in Use

- Profitability +3%
- Customer Satisfaction +5%
- Employee Satisfaction +5%

Specific metrics had more substantial impacts, as indicated in the table below.

	Average Profitability	Average Customer Satisfaction	Average Employee Satisfaction
Full Sample	+ 4.0%	+ 4.0%	+ 4.0%
Employee turnover	+ 4.0%	+ 4.5%	+ 4.5%
Hours of training completed	+ 3.0%	+ 2.5%	+ 2.5%
Total training spend, including technology and staff	+ 6.5%	+ 4.0%	+ 4.0%
Employee satisfaction	+ 4.5%	+ 4.0%	+ 4.0%
Customer satisfaction	+ 4.0%	+ 5.5%	+ 5.5%
Cost per hour of training consumed	+ 4.0%	+ 7.5%	+ 7.5%
Employee engagement	+ 5.0%	+ 6.0%	+ 6.0%
Bench strength for key positions	+ 5.5%	+ 5.0%	+ 5.0%
% of Employees with Individual Development Plans	+ 7.5%	+ 6.5%	+ 6.5%
Time to proficiency	+ 9.5%	+ 12.5%	+ 12.5%
Quality of hire	+ 3.5%	+ 5.5%	+ 5.5%
% of Leaders internally developed	+ 6.0%	+ 5.0%	+ 5.0%

Metrics that brought a performance rating up from the 4% average to 7% or more are bolded in the table. Two of the twelve metrics stand out – the percentage of employees with Individual Development Plans and time to proficiency. Individual Development Plans impacted all three performance measures substantially. Time to proficiency in an employee’s job had the strongest impact on profitability of any measure, and even stronger impacts on customer and employee satisfaction.



Conclusions

Summary of findings

Results from the Talent-Ready Assessment confirmed the broad impact of talent-ready practices on organizational performance. Taken together, they contribute about 5% to a company's profitability level and 10% to customer and employee satisfaction. Further analysis of the data allows us to identify practices with the most dramatic positive impacts:

- Of the three dimensions of talent-readiness, Talent Mobility has the greatest performance impact, contributing 8% to profitability and 11% to customer and employee satisfaction. It also had the lowest average organizational score of the three talent-ready dimensions, suggesting that companies are currently doing less well in this area than the other two.
- The single most important Talent Mobility factor is alignment of employees to their best roles within the organization. Applying competency and job suitability assessments during the process of assigning roles to employees accounted for about 7% of a company's profitability.
- Use of one technique for introducing employees to new roles – job rotations – raised profitability for a company from the average 4% rate to 7.5%.
- Gauging performance with the following two metrics was particularly helpful in enhancing organizational performance:
 - Time to job proficiency
 - Percentage of employees with Individual Development Plans



Talent-Ready Checklist

In order to apply the findings of this study, complete the short checklist provided below. Any item that is not checked off can be targeted as a high impact element to be added to your standard talent practices.

- Employees at my company have Individual Development Plans.
- Employees at my company have Talent Profiles.
- Job rotations are commonly utilized as development assignments.
- Stretch assignments are commonly included in employee development plans.
- Succession planning is performed for all strategic and core roles in my organization.
- Competency, psychometric, and job suitability assessments are used during the process of evaluating candidates for jobs.
- Several measures are used to gauge talent management performances, including the percentage of employees with Individual Development Plans.
- A 9-box grid is used to inform talent decisions, and high-performing and high-potential employees have target jobs, development assignments, and retention plans in place.

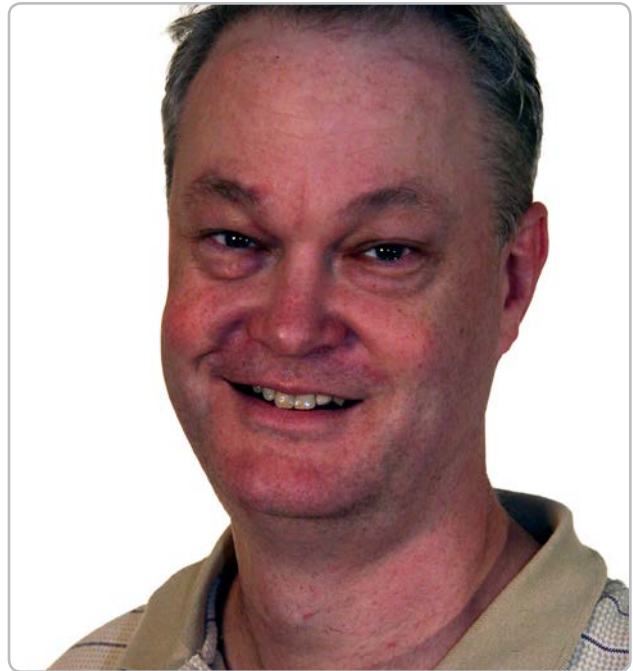
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