Succession Planning Gains Momentum

BY CUSHING ANDERSON

Talent management strategies continue to be an important component of organizational success, according to the latest survey of the Chief Learning Officer magazine Business Intelligence Board (BIB).

“Talent management” generally is defined as the process of managing the development and deployment of employees from recruitment to retirement. Talent management activities cover processes that attract, develop and reward employees and include recruiting, competency management, learning and development, performance management, compensation and career and succession planning.

Companies recently have used talent management solutions to address the tightening labor market but will also adopt strategies that are most appropriate for economic conditions.

Every other month, IDC surveys Chief Learning Officer magazine’s Business Intelligence Board on a variety of topics to gauge the issues, opportunities and attitudes that are important to senior training executives. For the past several years, members of the BIB have been asked to provide annual insight into the impact of the talent function and talent management strategies.

DATA POINT

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Continuing War for Talent

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According to the U.S. Department of Labor’s Bureau of Labor Statistics, the unemployment rate has been generally trending downward for the past 30 years, but the unemployment rate between 2007 and the end of 2008 rose sharply (Figure 1). IDC studies show that more than half of companies continued to experience a noticeable candidate shortage in 2008. This dynamic of increasing unemployment and continued difficulty filling roles suggests the
skills required for some open positions remain in tight supply.

In the short term, firms expect to have fewer open positions in response to the global economic crisis. Companies continue to believe impending retirements in the next three to five years will cause significant knowledge gaps in some areas of their organizations, with middle and senior management most impacted (Figure 2).

Compared with 2007, there is a noticeable decline in the impact of knowledge gaps in 2008, and while the impact is still significant, the current crisis is reducing the urgency of those needs. Overall, most organizations believe the economic situation will have a mixed effect on the urgency of talent management activities.

One in four companies believe talent management will become more urgent, and about the same percentage feel talent issues will become less important. This finding reflects the distribution of corporate strategies in the face of crisis, with some companies hunkering down, some attempting to position for future growth and some attempting to expand during the crisis.

Talent Strategies in Challenging Times

During the past year, organizations have adopted — and rejected — many strategies to help address a reduced workforce and a skills gap (Figure 3). Some strategies appear to be powerful for improving organizational performance. Technology improvements are seen as having a strong impact on performance, closely followed by streamlining talent and development and formalized succession and mentoring programs. Interestingly, aggressive recruiting is seen as having only a moderate effect on organizational performance. This conclusion likely is the result of the relatively limited impact new hires have on organizational performance.

To maximize the company's business performance in a difficult economic environment, the various components of the talent function must adapt practices and capabilities. By leveraging the core capabilities of the different talent management functions, organizations can optimize the human capital contribution to organizational success. Of the top five most significant talent functions, organizations are finding that four are becoming more important, and only recruiting is slightly less important (Figure 4).

Leadership development remains the most important talent function for organizations. The combination of high impact in all economic climates and high visibility among corporate leaders make this a solid priority.

Employee development has become increasingly important in a challenging economic environment for several reasons. Enterprises must increase organizational performance overall and therefore redouble efforts at employee development. There is and will continue to be realignment of the workforce, sometimes involving reassignment and layoffs. Both of these organizational approaches require some degree of retraining to ensure the workforce is capable of performing essential tasks. And finally, development is important as a demonstrated commitment to individual employees.

Both performance management and goal alignment represent important talent functions because they help ensure employee activities are consistent with organizational objectives. For most organizations, alignment of activities is monitored particularly closely in challenging economic climates.

The biggest increase in priority between 2007 and 2008 was the management of the learning function. As organizations weigh the priority of various line or support functions, it is essential that every
line of business maximize both its relevance and efficiency. Learning management, while typically a small component of an enterprise's overall spending, must be vigilant to ensure its activities are aligned with enterprise objectives and managed effectively.

Consistent with the essential nature of talent management, no common function became “less important” in 2008 than in 2007.

**Talent Management Processes**

About 80 percent of companies have formal processes in place for the major talent management functions of performance, compensation, recruiting and learning management. This reaffirms the organizational recognition of the role talent management plays in organizational success.

At the same time, those talent functions are becoming increasingly automated (Figure 5). A majority of companies with formal processes use either in-house or third-party developed systems. It also appears that the fullest benefit is realized when leveraging an automated process of some type. Automation helps ensure consistent processes are used across all business units, and automated processes increase the visibility an organization has into its talent pool.

About 50 percent of organizations have formal processes for workforce planning, competency management and succession. Less than 50 percent of companies have a formal process for talent analytics. Each of these areas also is less likely to be automated, with the exception of competency management. It is difficult to attribute this finding to the quality of the available systems. Most third-party talent systems rely heavily on competency management to make best use of the available features, and competencies lend a common language on which to integrate talent functions. Organizations that have not already done so would be wise to take steps toward competency automation.

The automation of talent management functions is based on a combination of importance, complexity and risk. While the first automated learning management process appeared in the late 1980s (earlier on mainframe systems), learning management systems (LMS) have been broadly available since early in this decade and coincide with the early adoption pushes toward e-learning and content management.

The timeline for applicant tracking systems (ATS) is similar to that of LMS, and so it is not surprising to see that the recruiting area has the next highest percentage of adoption of third-party systems.

Conversely, succession planning remains a largely manual process. Only about 10 percent of all companies have had an automated succession process in place for more than two years. The area of analytics is of increasing interest to organizations, but the lack of integration across both talent and other operating systems has made the process of measuring key indicators a difficult one to automate.

**Talent Management Integration Remains Limited**

Integration of the talent functions remains a challenge. About 50 percent of organizations believe their talent functions are “somewhat” integrated, and only a quarter believe their talent functions are mostly or fully integrated.

Companies have not yet adopted an integrated talent management system because the various talent functions often are owned by different internal functions. The benefits of an integrated system, while easy to describe, are typically the responsibility of different owners with different operational priorities.

The compromises and complex data and functional requirements necessary to support an integrated talent management function often become difficult to navigate, and consensus is difficult to negotiate. However, as the retention, development and deployment of talent becomes more critical and gains the attention of upper management, the drive to cross that ocean will become irresistible.

The value of an integrated talent management process appears to be twofold. There is the direct benefit of increasing an organization’s ability to develop and retain its best employees. Less obvious is the attraction and branding benefit. In a tight labor market, the ability of a recruiter to describe the organizational commitment to the candidate’s professional development and career success increases an organization’s ability to attract the top candidates.

**Future of Talent Management Solutions**

Two-thirds of companies plan to implement or change parts of a talent management solution in the next 12-18 months. Most organizations will be implementing or changing some combination of performance, competency and succession management. The intensifying war for talent makes each of these important areas for investment.

Companies will continue to leverage talent management solutions to address the tightening labor market both to internally develop employees and to attract the best candidates. Those companies that begin the journey early will lead the pack as the economic situation clarifies.

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