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Employers reshaping talent management programs as economy shifts toward growth

by Mercer

Anticipating greater emphasis on talent management and competition for key talent, employers are planning to reshape their talent programs as the economy shifts out of the recessionary period, according to the new Future of Talent Management survey from Mercer.
The survey, conducted in May, includes responses from HR and talent management leaders at more than 400 organizations throughout the US. The survey included a broad cross-section of industries, with durable manufacturing, for-profit services, health care, financial/banking and high-tech/telecommunications organizations representing the largest segments.
According to Mercer's survey, more than half of employers surveyed indicate their organization has emerged from the recession and is in growth mode (15%) or is emerging from the recession and preparing for growth (37%); another 22% said they were never out of growth mode as their organization was not significantly affected by the economic downturn. One-quarter (25%) said they are still in recession mode.
Moreover, most organizations are planning changes to their talent programs in response to the downturn, although they are at different stages in terms of identifying and implementing these changes. The majority plan to make changes to leadership training (88%), workforce training (85%), employee engagement (85%), recruiting (80%), retention (80%), rewards (76%) and performance management (76%) programs. More than two-thirds (68%) are planning to make changes to their career programs and just more than half (51%) are planning to make changes to mobility programs. See Figure 1.
"The downturn forced organizations to make fairly dramatic changes to their workforces and talent programs. Now organizations are planning further changes, but the aim is not to revert to what they had before the downturn", said Jason Jeffay, a partner in Mercer's human capital business and global leader of the firm's talent management consulting. "It's a different business environment now. We're looking ahead to a period of positive but slower growth, which translates into different talent needs. Talent programs need to be reviewed and tailored to fit this new reality".

Talent management priorities

Employers expect talent management to grow in importance. Half (51%) rate it as a top priority at their organization today, but 76% expect it to be a top priority within the next three to five years. In addition, virtually all employers (97%) anticipate an increase in competition over the next three to five years for the key talent their organizations need to succeed; 39% expect some increase in competition, while far more – 58% – expect a significant increase in competition.
When asked to express their confidence in being able to address a range of 10 key talent challenges, most organizations said they are most confident in their ability to link employee performance to business goals (88%) and to understand the key roles and workforce segments that drive business success (86%). They are least confident in their ability to use quantitative analytics to make and

measure their investments in talent (41% are not at all confident, 44% are somewhat confident and only 15% are very confident).

Respondents were asked to identify their organizations' top three talent management priorities over the next three to five years. The top response, from among 14 choices, was leadership succession, followed by leadership training/development, overall succession planning, key talent/high potentials, workforce planning and employee engagement. See Figure 2.

"It's no surprise that leadership tops the list of priorities", said Mr. Jeffay. "Talent management starts at the top – you can't build a strong talent base without strong leadership. The impact leaders have on business success and organizational effectiveness is huge. And right now, organizations are not sure that they have the quantity and quality of leaders they will need for the future".

"Two factors are at play here", he explained. "First, demographic changes are working against organizations. There is a generation of leaders approaching retirement, so organizations already were concerned about leadership succession. Second, the recession, through layoffs and reorganizations, damaged leadership pipelines. Organizations now need to be more concerned than ever about actively managing the entire leadership development and succession process".

Organizations also weighed in on whether their current employee value propositions would attract the workforce needed to meet future business requirements. Nearly three-quarters (72%) are somewhat confident in their current value propositions; just 19% said they are very confident and 9% are not at all confident.

Measuring talent management decisions

Mercer's survey explored the measurement of talent management decisions and investments. Only 5% of respondents believe their organizations are very effective in measuring the impact of talent decisions and investments. Slightly more than half (54%) said their organizations are somewhat effective and 41% said their organizations are not at all effective with respect to measurement.

Survey findings show organizations use a combination of qualitative and quantitative measurement methods for assessing talent management programs. However, there are some variations by program. Organizations are least likely to apply quantitative approaches to measuring their careers, mobility and training/development programs, and most likely take more quantitative approaches with retention, rewards and employee engagement programs.

According to Mr. Jeffay, many organizations tend to focus on program execution (asking: "Is it done well?") rather than on program outcomes/results (asking: "Does it have the desired result?"). Organizations tend to focus most on program execution for their mobility, careers and training/development programs. In contrast, they tend to focus more on outcomes/results for their engagement, retention, recruiting and performance management programs.

"Organizations historically have chased best practices or the newest big idea as a substitute for solid talent strategies and measurement techniques", said Mr. Jeffay. "But that's no longer enough – you can't manage what you can't measure. Leading organizations have shown to be more effective at tailoring talent management practices to fit their own business models, then taking a more quantitative, fact-based measurement approach and steadily driving improvements year after year".

Mercer will hold a one-hour webcast titled, "Ready to rebound: Getting your talent focused for growth" on Wednesday, June 30 to discuss the survey findings in more detail. Participation is free of charge. Visit *www.mercer.com/webcasts* to register.

About Mercer

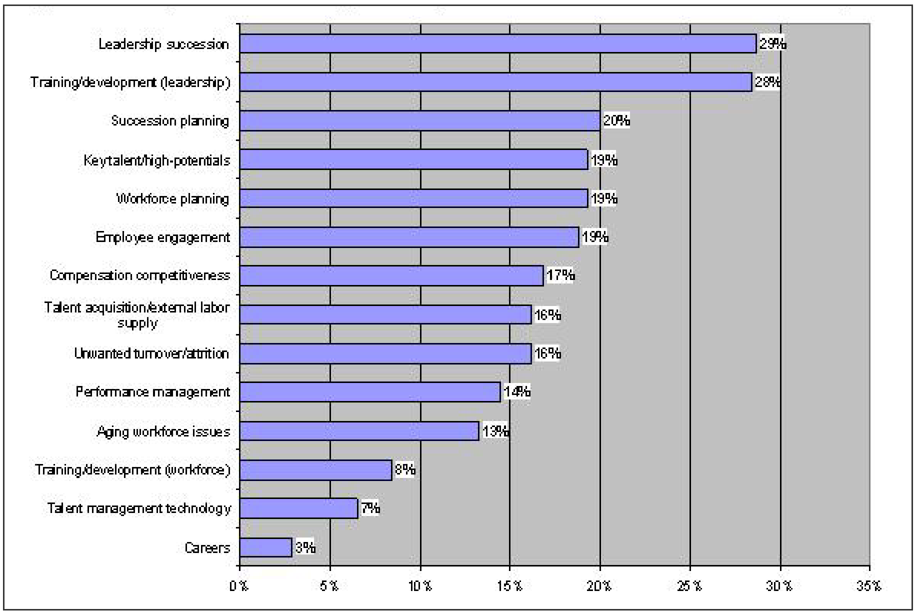
Mercer is a leading global provider of consulting, outsourcing and investment services. Mercer works with clients to solve their most complex benefit and human capital issues, designing and helping manage health, retirement and other benefits. It is a leader in benefit outsourcing. Mercer's investment services include investment consulting and multi-manager investment management. Mercer's 18,000 employees are based in more than 40 countries. The company is a wholly owned subsidiary of Marsh & McLennan Companies, Inc., which lists its stock (ticker symbol: MMC) on the New York, Chicago and London stock exchanges. For more information, visit *www.mercer.com*.

Figure 1 – Planned changes to talent management programs

	No changes will be needed to this program	Changes will be needed, but have not determined what kind/ how much	Have determined the changes needed, but have not executed them	Have determined the changes needed and have executed them
Recruiting/talent acquisition	20%	35%	26%	19%
Training/development (workforce)	14%	36%	32%	17%
Training/development (leadership)	12%	30%	37%	21%
Careers	32%	39%	22%	7%
Employee engagement	15%	40%	29%	16%
Mobility	49%	32%	13%	6%
Performance management	24%	24%	28%	24%
Rewards	24%	41%	23%	12%
Retention	21%	51%	19%	10%

* Percentages may not total 100% due to rounding

Figure 2 – Top talent management priorities over next 3 to 5 years



Source: Mercer

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