



An Oracle White Paper
June 2012

The Future of Talent Management: Four Stages of Evolution

Introduction	1
Talent Management Defined	3
Stages of Talent Management Maturity	4
Stage 1. Core HR Systems and Manual HCM Processes.....	4
Stage 2: HCM Processes Are Automated.....	5
Stage 3. Integrated HCM Processes and Talent Management Suites	6
Stage 4. Unified Talent Management Systems and Processes.....	7
Challenges and Opportunities	12
Into the Future: Talent Management Beyond Stage 4.....	14
Conclusion	14
Appendix A: Checklist for Assessing Talent Strategy Readiness.....	15

Introduction

Much has been written about talent management and the “war for talent”.¹ And indeed the supporting applications, enabling technologies, and business processes required for proper—and optimal—talent management have all evolved in recent times to address the complex problem that talent management presents.

Today’s talent management tools—and the organizations that employ them—are rapidly maturing through four stages of evolution and adoption:

- **Stage 1.** Companies have automated core HR systems with a group of manual and disparate human capital management (HCM) systems and processes.
- **Stage 2.** Organizations are beginning to automate some of their HCM processes.
- **Stage 3.** HCM systems are being integrated and talent management suites are forming.
- **Stage 4.** This stage marks the delivery of a unified platform of talent management and application delivery—and thus the beginning of the future state for talent management. In this stage, organizations implement unified sets of talent management and business processes, and align and drive talent strategies based on corporate objectives.

¹ Term introduced by McKinsey & Co. in 1997.

This paper also briefly discusses the future state of talent management, focusing on the four pillars that will support it:

- Digitized global talent pools
- Predictive succession and career planning
- Workforce development through simulations and gaming
- Orchestration of business and talent management strategies and systems

Examining the four stages of maturity and further defining the future of talent management, this paper provides a practical tool that companies can use to measure where their applications and strategies fit within the Talent Management Maturity Model. They can also use this paper to identify opportunities and next steps for driving business performance through successful talent management.

Talent Management Defined

Talent management comprises a complex set of HCM processes designed to manage companies' greatest assets: their people. Although industry analysts and consultants vary in their definitions of the set of applications required to support these processes, talent management systems generally include processes for recruitment, performance management, competency management, succession management, career development, learning, and compensation.

Talent management requires both systems and an organizational commitment to attract, acquire, manage, and measure the talent needed to achieve a company's business objectives. If business and talent management systems are not aligned with processes, companies not only fail to maximize their benefits, they also put their goals at risk.

The key talent management questions each organization must explore include the following:

- Do we know how our business goals align with our workforce?
- Do we have the talent needed to achieve these goals?
- Are we driving goals down through the organization?
- Do we have the applications and processes to get there?
- Do we have business owners for those processes?
- What are our opportunity costs if we don't execute our talent management strategy?
- Where are we on the Talent Management Maturity Model, and do we have a strategy to move from one stage to the next?

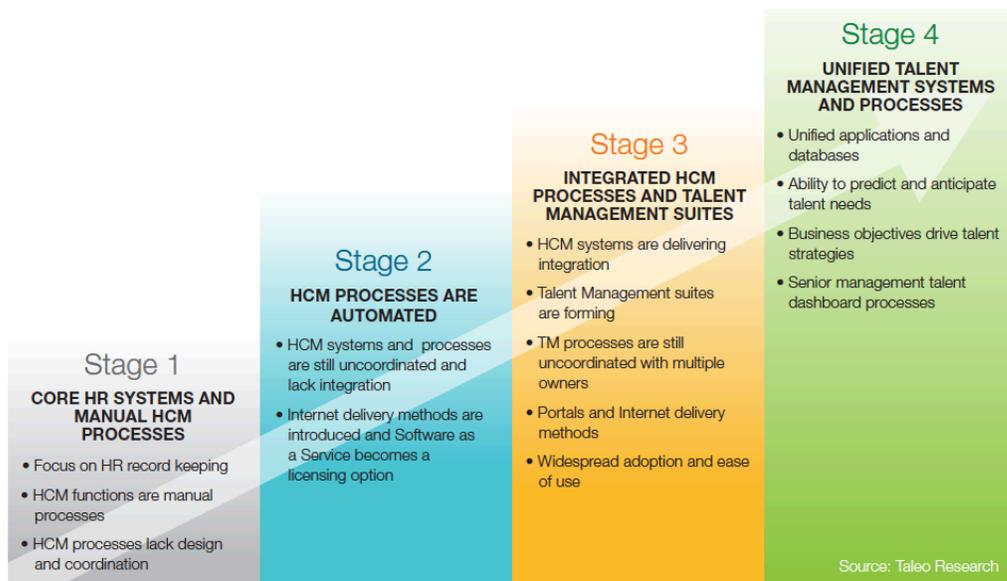


Figure 1. The Talent Management Maturity Model introduces four stages of HCM development and maturity.

Stages of Talent Management Maturity

Figure 2 illustrates the maturity stages of talent management development, showing the applications and technology employed in each stage. (Review the checklist in Appendix A to see how each application maps to these stages.) Although there may be some overlap among stages, each stage has distinct characteristics that directly impact the technology's effect on the business.

Stage 1. Core HR Systems and Manual HCM Processes

In the early stages of managing human capital, HR functions are tactical, focusing on employee record keeping and payroll processing. The lack of enterprisewide HCM applications or integrated HR business processes prevents companies from properly managing their human capital assets. In Stage 1, HR and/or recruiters typically wait for requisitions to be created rather than help plan or anticipate the company's human capital needs. More progressive companies may engage in some workforce planning; however, it's still based on predictions from the past and assumes talent will be readily available. Since HCM processes are manual, forecasting future workforce requirements is problematic.

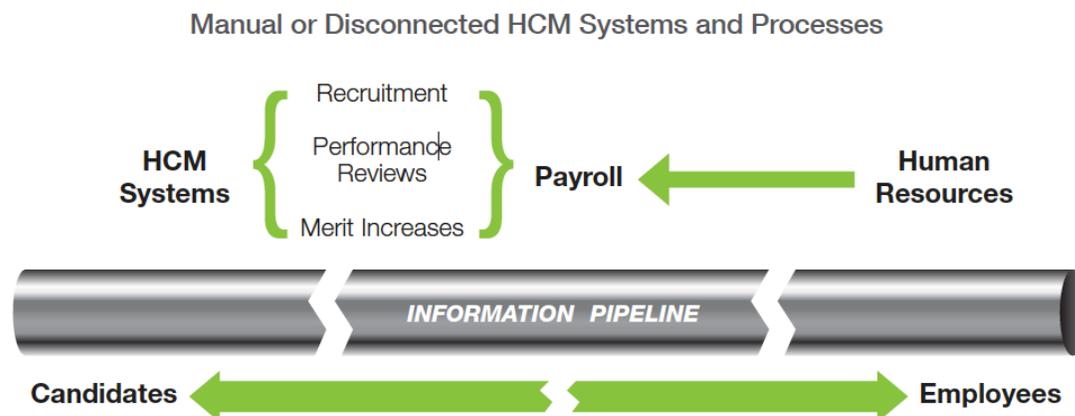


Figure 2. Core human resources that have yet to be automated or aligned.

Performance management in Stage 1 is also typically a manual process. Thus, strategies to align and manage employee goals with corporate goals are very difficult to develop. Reporting is focused on HR record keeping.

Advantages of Stage 1

- Companies understand the benefits of using technology to manage HR administrative functions.
- These systems handle transactional issues and help capture basic employee information for record keeping.

Disadvantages of Stage 1

- Transactional systems do not help find, align, measure, or manage the workforce.
- Recruiting and performance remain paper processes—with recruiting often outsourced.
- Reporting is restricted to core human resources. Reporting HCM processes is manual at best.

Stage 2: HCM Processes Are Automated

In Stage 2, HCM applications automate processes such as recruitment and performance management—which in the past were paper-intensive, expensive to administer, and largely inefficient. The goal in this stage is cost savings through process automation. The application architecture has evolved into silos of separate applications that work independently. The user interface is functional—often simply translating an offline form into an online form.

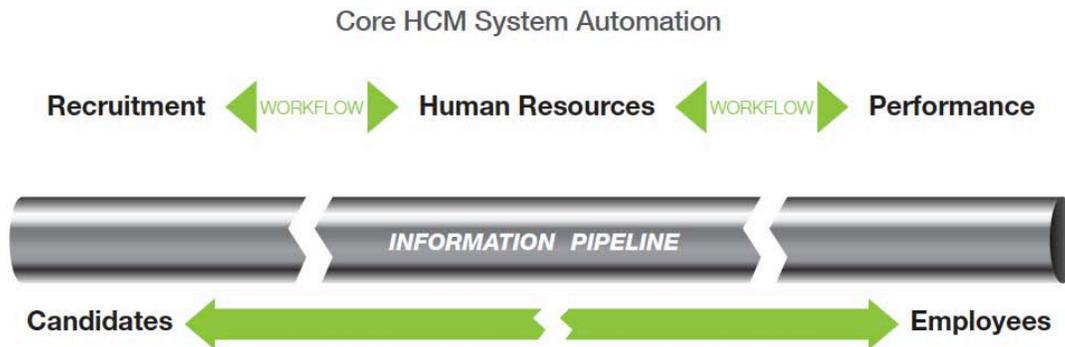


Figure 3. Automated but siloed HCM processes.

As companies move from Stage 1 to Stage 2, many IT departments and HR professionals remain consumed with large-scale implementations of core HR systems. Thus, it's not surprising that these line-of-business managers drive more than one-third of the funding and much of the impetus to purchase HCM applications.² They are looking for best-in-class applications to solve very specific problems—often choosing multiple solutions from many vendors. Such applications provide a depth of functionality within their disciplines; however, they remain unintegrated.

Thus, even enlightened HR professionals trying to execute more holistic HCM strategies confront uncoordinated, siloed applications lacking integration at this stage.

Advantages of Stage 2

- Processes are automated to improve productivity and reduce costs.
- A new breed of HCM applications automates specific business processes.
- Managers can now view reports on recruitment and performance management tasks.

Disadvantages of Stage 2

- Systems are still disparate and unintegrated.
- Advantages come from single-point process automation, not alignment with broad business goals.
- Reporting is confined to specific HCM processes—with no capability to report on or analyze data across systems.

² AMR Research, HCM Spending Reports 2006–2007, 2007–2008.

Stage 3. Integrated HCM Processes and Talent Management Suites

In Stage 3, companies begin to manage human capital more holistically. Additional HCM processes—such as onboarding, competency management, career development, and succession planning—are automated. The requirement for communication among these systems drives increased integration of HCM applications using HR-XML standards. The result: a common way to communicate.

In this stage, HCM systems also take advantage of internet technology to extend easy application access to managers, employees, and prospective candidates via portals. Ease of use drives application adoption, and the advent of the software as a service (SaaS) delivery model means that HR and line managers can implement and maintain these systems (reducing the burden on IT). Companies in Stage 3 tend to have portfolios of multivendor applications with no single system for managing talent—meaning they're unlikely to be maximizing their return on investments. Indeed, CedarCrestone's 2007–2008 HR System Survey found that companies with higher levels of integration had 38 percent higher operating income growth.

AUTOMATED/INTEGRATED BUT SILOED

HCM Processes Automated with Multiple Databases

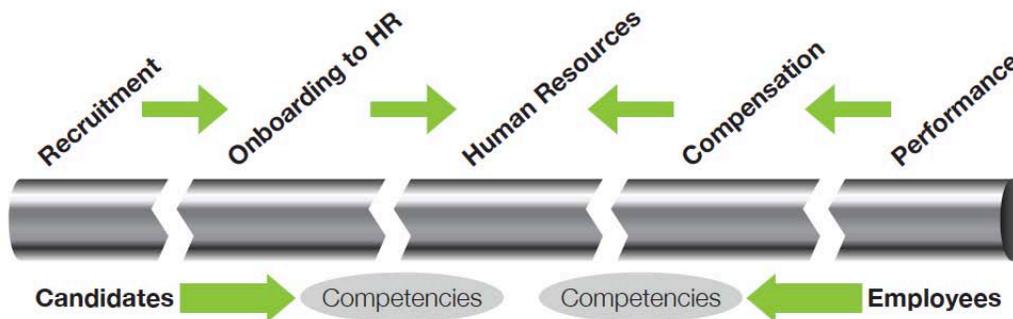


Figure 4. Companies in Stage 3 tend to have portfolios of multivendor applications with no single system for managing talent.

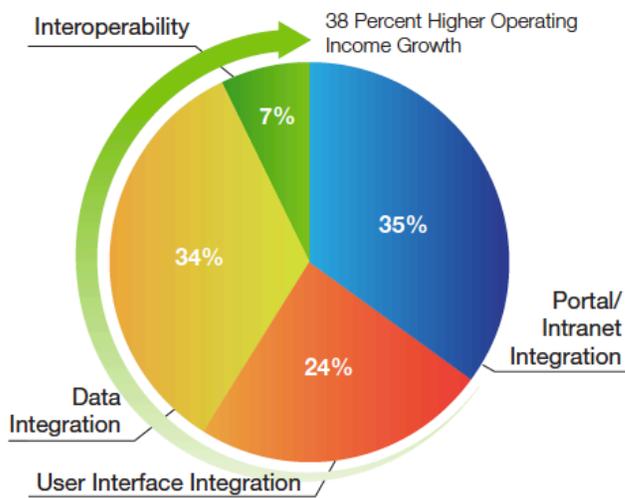
In Stage 3, companies begin turning to application providers for groups of HCM applications, or *talent management suites*. However, with best-of-breed providers acquiring and loosely coupling additional applications, information tends to reside in multiple places—requiring multiple inputs and lacking single sign-on. Companies that wish to reach Stage 4 in the Talent Management Maturity Model require a comprehensive view of talent and applications built to unify their talent management functions.

Advantages of Stage 3

- Multiple HCM processes are automated.
- Integration standards are developed between HR and HCM systems.
- Talent management suites are being formed.
- The user interface is enhanced to facilitate widespread adoption.
- Reporting and analytics are enhanced to include individual talent management processes.

Disadvantages of Stage 3

- No consolidated view of workforce skills and competencies.
- No ability to share talent across the business.
- Processes remain disjointed.
- Reporting across talent management functions is limited (since the information resides in multiple databases).



Source: CedarCrestone 2007–2008 HR Systems Survey, 10th Annual Edition

Figure 5. This figure illustrates the percent of companies at each level of integration for talent management applications. Companies with higher levels of integration enjoyed higher operating income growth.

Stage 4. Unified Talent Management Systems and Processes

The future of talent management begins at Stage 4. In this stage, applications and processes are designed to drive business performance through a unified view of talent assessments. The aim is to achieve business goals with an eye to finding and filling talent gaps. This requires a very different type of application architecture—one that includes the following five core attributes:

- **Unified database and architecture.** All aspects of talent are contained in a single talent database with just one application architecture.
- **Designed for social networking.** A social networking orientation in application design and delivery extends reach and enhances collaboration and innovation.

- **Personalization.** Configurability allows user personalization of the system while maintaining compliance.
- **Predictive measurements.** Extensive use of Web 2.0 across the talent management suite makes the user interface more personalized and intuitive than ever.
- **Alignment with business goals.** The predictive nature of employee performance measurement and alignment of goals drives increased business performance.



Figure 6. Unified talent management applications and processes include recruiting, performance management, competency management, succession management, career planning, and compensation. These should be unified in an orchestrated application suite using a single talent database.

Unified Database and Architecture

Talent management applications are unified—including recruiting, performance management, competency management, succession management, and career planning and compensation—in one orchestrated application suite using a single talent master database. With workforce skills, behaviors, and competencies unified, companies have visibility into all aspects of talent. Data does not reside in a variety of databases and systems, so employee data is not separate from candidate data and skills data. In a 2009 survey³ conducted by Taleo Research⁴ and Human Capital Institute, executives were asked, “What single criterion is most important to your organization in a talent management solution?” The results showed usability and unification of talent management solutions to be the top two criteria for the success of a talent management solution.

³ Taleo Research, *Unified Talent Management: Key for U.S. Business Performance*, March 2009.

⁴ Taleo was acquired by Oracle in June 2012.

A unified talent management system brings all talent data into one database that is integrated with human resource information systems (HRIS). This unification:

- **Aids recruiting.** You can model top performers to determine their key characteristics—for example, where they went to school and what degrees they earned. Did they get technical degrees, communications degrees? Do they speak a foreign language? Have they spent time in internationally? This structure makes it easier to perform regression testing to determine the backgrounds and behavioral characteristics of top performers. You can then use targeted sourcing to find more of these types of candidates.
- **Provides better visibility into talent (enabling organizations to fill positions internally).** Performance management and employee development are at their core about increasing retention—resulting in fewer jobs for recruiters to fill.
- **Helps identify external succession candidates.** That Rolodex of contacts could contain your next critical hire. It also provides access to pre-employment history and skills. For example, it might be helpful to know that an employee speaks Mandarin or has spent time in China.
- **Aligns hiring with corporate goals.** If you're looking to increase customer satisfaction, try hiring from companies that have good customer satisfaction ratings.

MOST IMPORTANT IN TALENT MANAGEMENT SOLUTIONS

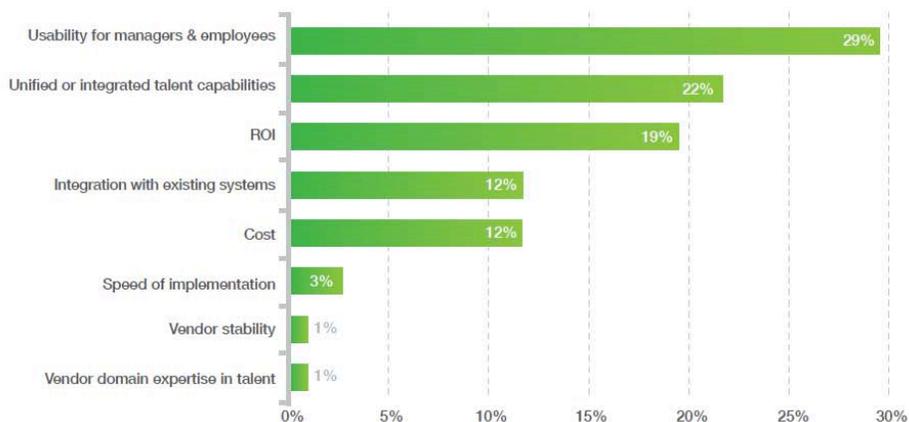


Figure 7. Respondents identified usability as the most critical criterion in selecting talent management solutions.

Designed for Social Networking

With Stage 4 unified talent management applications, companies can leverage social networking:

- **Internally.** Give employees the ability to publish their skills and career goals, and find their own internal company jobs and career opportunities.
- **Externally.** Use social networking sites like Facebook and LinkedIn to reach and provide access to a new generation of candidates.

Predictive Measurements

In Stage 4 predictive measures of performance—typically used in the hiring process—are expanded and refined to identify leadership and high-potential employees for succession planning and career development. These measures, however, do not just evaluate past performance; they also automatically highlight and match employee skills, preferences, and development potential. In addition, employees get visibility into various career paths, seeing who’s been successful in their career development and what paths they have followed to get there. Talent gaps may be identified so training and development plans can be generated.

Compensation can also be linked to employee potential, not just past performance. Since competitors have visibility into your organization’s talent through tools such as LinkedIn, you need an even better view. Companies need to understand what compensation, benefits, career opportunities, and learning experiences will motivate each employee—understanding, for example, that baby boomers are focused on stable retirement benefits, whereas Generation Y individuals want flexible hours, interesting work, and learning opportunities.

Alignment with Business Goals

Business leaders have long known that top talent drives superior performance. In fact, the line has blurred between talent management and business management. Increasingly, investors and board members are asking C-level executives about the company’s leadership, succession plans, and talent. And senior management is mandating the development of talent management strategies. Managers need a much more intimate understanding of the skills and capabilities of their teams so they can align their people to business goals and objectives to effectively drive business performance.

MANDATED DEVELOPMENT OF TALENT STRATEGY

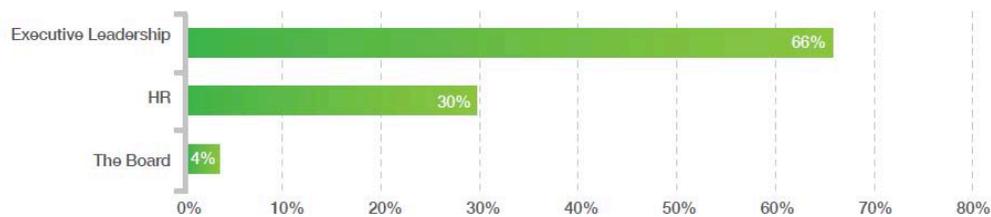


Figure 9. Senior management is now mandating the development of talent management strategies.

In the book *The HR Value Proposition*, David Ulrich states, “When HR practices align with strategies, goals are met and sustained.” By changing the wording just slightly, this statement can also apply to the successful implementation of Stage 4: “When *talent management applications and practices align with corporate strategies*, goals are met and sustained.”

The analytics and metrics used to measure success in talent management have already moved from cost per hire and time to hire to include time to productivity and quality of hire. Companies want to understand the characteristics of successful or potentially successful employees so they can recruit and develop more of the same talent.

The goal is not just to attract new talent but also to measure and predict what talent will be needed, whether this talent should be developed internally or recruited from the outside, and when and where that talent will need to be applied based on the demands of the business. These goals require focusing on the applications and processes that signify the move from Stage 3 to Stage 4 talent management.

Although there are many components of talent management, implementation is generally not simultaneous, and there are few unified suites at this stage. Thus, it is worthwhile to consider order and priority for establishing a holistic talent management strategy.

- Recruiting and performance management are the key applications—the backbone processes of talent management. Recruiting manages the selection of external talent and the movement of internal talent throughout an organization. Performance measures develop and optimize that talent.
- Secondary processes and solutions that work with performance include goals and succession, which are critical to accomplishing business objectives.

Without unified recruiting and performance, it is difficult to identify talent gaps that need to be filled through training versus internal mobility or hiring external talent. Watson Wyatt's 2005 Human Capital Index research showed that companies with better recruiting/retention are worth 7.6 percent more in the market.

Advantages of Stage 4

- Provides a strategic view of talent management.
- Eliminates double entry of data.
- Reduces costly integration.
- Uses technology and design for ease of use and widespread adoption.
- Reporting and analytical views across business and talent systems drive alignment and improve organizational performance.

Disadvantages of Stage 4

- High-level management commitment is still lagging behind systems development.

Challenges and Opportunities

To evolve from Stage 3 to Stage 4, companies must also recognize that applications and technology alone do not address the entire talent management challenge. Without business process owners who have the authority to break down organizational silos, companies will be unprepared internally to deal with the looming talent shortages and critical-skills needs.

Successful orchestration of business and talent strategies starts with a holistic talent management plan. However, companies have identified many obstacles to achieving good talent management—including those identified in Figure 11.

TOP 7 OBSTACLES TO GOOD TALENT MANAGEMENT

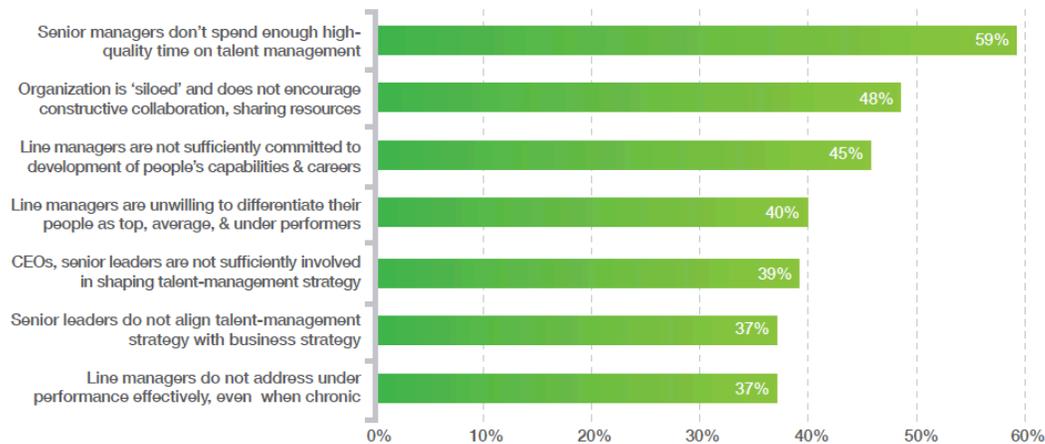


Figure 10. A holistic talent management plan is needed to overcome the obstacles to achieving good talent management.⁶

Clearly, senior managers must make the time to understand their organization's business goals and talent management needs. They must then ensure that silos are removed to encourage collaboration and sharing of resources. They must also be willing to weed out nonperformers and assist average performers with development plans while recognizing and retaining high-potential performers.

To win the talent war and drive profits, organizations need to align processes and systems to better execute business goals. Yet research data⁷ shows that only 39 percent of U.S. and 30 percent of U.K. companies have formalized talent management strategies. And fewer than 2 percent of these companies in the United Kingdom and 4 percent in the United States report that their talent management systems are fully integrated or unified. Indeed, 24 percent of U.K. companies and 23 percent of U.S. companies report that their systems are implemented in isolation of each other. This data demonstrates that most organizations are still between Stages 2 and 3 of the Talent Management Maturity Model.

⁶ McKinsey, *Making Talent a Strategic Priority*, 2007.

⁷ Taleo Research, *Unified Talent Management: A Global View*, March 2009.

Into the Future: Talent Management Beyond Stage 4

Most talent management suites on the market today are no further than Stage 3, and only a limited number of vendors even have roadmaps for delivering Stage 4 talent management models. Despite this, technology developments continue to provide a sneak peek of what will be possible in the next two to five years. Beyond Stage 4, talent management systems will be built on the following four pillars:

- **Digitized global talent pools.** Advances in social networking will facilitate smart sourcing by digitizing global talent and passive candidate pools. Technology will allow companies to reach social networks and more fully develop digital profiles of global talent, making passive candidates (that is, those not actively seeking positions) available to recruiters.
- **Succession and career viewpoints.** Predictive succession planning will automate recommendations for global succession plans by blending digitized talent pools with internally identified positions for succession development. Personal preferences and profiles will allow succession planning and career development to be automatically pushed to individuals. On-the-job training, mentoring, and buddy systems will deliver assistance for career path planning using virtualization and social networking rather than one-on-one counseling.
- **Developmental views.** Simulation and gaming will be used for workforce development, and performance management will cease to be based on yearly reviews. Instead, users will receive continuous feedback based on business systems that monitor work. Development systems will use this information to make recommendations for advancement and/or corrective actions. With tools like Microsoft's ESP, companies will take advantage of simulations and gaming to help with skills development.
- **Business and talent management orchestration.** By orchestrating business and talent management strategies and systems, organizations will blur the lines between talent management and business systems. Better tools will be delivered to simulate talent requirements based on fluctuations in business demand. Talent gaps will be automatically identified and reported.

Conclusion

As organizations embrace a holistic view of talent management—encompassing the full talent lifecycle—they will be better equipped to find, manage, measure, retain, and motivate employees to drive business performance through talent management strategies. By examining the four stages of talent management maturity and defining the future of talent management, this paper helps organizations understand where they are in that journey and what they can do to achieve the holistic view of talent that today's business environment requires.

Appendix A: Checklist for Assessing Talent Strategy Readiness

The high-level stages in the Talent Management Maturity Model in combination with applications are designed to help companies assess where they are along this continuum.

APPLICATIONS IN TALENT MANAGEMENT MATURITY MODEL

	STAGE 1: MANUAL	STAGE 2: AUTOMATED	STAGE 3: INTEGRATED	STAGE 4: UNIFIED
WORKFORCE PLANNING	<ul style="list-style-type: none"> Manually calculated manpower plan 	<ul style="list-style-type: none"> Begin anticipating talent needs by building candidate pools for current and future needs 	<ul style="list-style-type: none"> Some forecasting capabilities within certain job categories Beginning to predict talent needs and talent gaps 	<ul style="list-style-type: none"> Simulate talent needs and gaps Automatically calculate skills and type of hire needed within budget constraints Determine number and types of workers needed to execute business plans
RECRUITING	<ul style="list-style-type: none"> Centralized in HR or outsourced to agency Processes are reactionary 	<ul style="list-style-type: none"> Manager involvement in selection and hiring process by automated application process 	<ul style="list-style-type: none"> Powerful categorizing, sorting, and assessment tools help managers quickly identify the best candidates The information on the skills required for the job is established in competency databases Use predictive tools that measure skills and cultural fit globally 	<ul style="list-style-type: none"> Find the optimal recruiting delivery method by type of hire: LinkedIn, kiosk in mall, or career site Personalize the branded messaging based on type of job and applicant to attract All talent skills and competencies are managed in one database
PERFORMANCE	<ul style="list-style-type: none"> Manual and paper process without ties to corporate goals 	<ul style="list-style-type: none"> Automated processes with online forms Limited use of workflow 	<ul style="list-style-type: none"> Integration to assist in legal compliance and coaching to assist managers Advent of cascading goals Some integration to compensation 	<ul style="list-style-type: none"> Links back to quality of hire, quality of sourcing, predictive talent leaders, and measurements for career building Cascading corporate goals are measured and visible to management

COMPENSATION	<ul style="list-style-type: none"> • Part of payroll and inflexible with no linkages to total compensation 	<ul style="list-style-type: none"> • Total compensation calculations 	<ul style="list-style-type: none"> • Performance appraisals feed to compensation • Integrated between performance and compensation to try and attain pay for performance 	<ul style="list-style-type: none"> • Budgeting and planning tools help managers quickly show equity and fairness within a department and across the enterprise. • Tight linkages between performance and compensation (Pay for Performance) and competencies (Pay for Potential)
SUCCESSION PLANNING	<ul style="list-style-type: none"> • Spotty mentoring within the organization 	<ul style="list-style-type: none"> • Position and pool management with search for replacement may not be linked with development plans 	<ul style="list-style-type: none"> • Identify high-potential employees, develop plans for identified successors, and show positions without a successor 	<ul style="list-style-type: none"> • System flags high-potential employees with recommendations for alternate career paths based on career profiles
CAREER PLANNING	<ul style="list-style-type: none"> • Manual with apprentice program 	<ul style="list-style-type: none"> • Ability to select the next level job in desired career paths and map into skills required for the job 	<ul style="list-style-type: none"> • Visibility into multiple career paths and automatic mapping of skills gaps to training programs 	<ul style="list-style-type: none"> • System flags high-potential employees with recommendations for alternate career paths based on career profiles
WORKFORCE DEVELOPMENT	<ul style="list-style-type: none"> • Informal training • No linkages to other HCM systems 	<ul style="list-style-type: none"> • E-learning systems to record and track training 	<ul style="list-style-type: none"> • E-learning systems linked to performance management, career development, and compliance initiatives 	<ul style="list-style-type: none"> • Interactive learning recommendations based on skills assessments, performance management, and career goals
USER INTERFACE	<ul style="list-style-type: none"> • Green screen interface 	<ul style="list-style-type: none"> • Browser interface (HTML) 	<ul style="list-style-type: none"> • Portal interface 	<ul style="list-style-type: none"> • Social networking, role personalization
WORKFORCE ANALYTICS	<ul style="list-style-type: none"> • HR employee records 	<ul style="list-style-type: none"> • Time to fill • Cost per hire 	<ul style="list-style-type: none"> • Quality of hire • Time to productivity 	<ul style="list-style-type: none"> • Identify talent gaps and impact on business goals, fully loaded cost of turnover



The Future of Talent Management:
Four Stages of Evolution
June 2012

Oracle Corporation
World Headquarters
500 Oracle Parkway
Redwood Shores, CA 94065
U.S.A.

Worldwide Inquiries:
Phone: +1.650.506.7000
Fax: +1.650.506.7200

oracle.com



Oracle is committed to developing practices and products that help protect the environment

Copyright © 2011, 2012, Oracle and/or its affiliates. All rights reserved. This document is provided for information purposes only and the contents hereof are subject to change without notice. This document is not warranted to be error-free, nor subject to any other warranties or conditions, whether expressed orally or implied in law, including implied warranties and conditions of merchantability or fitness for a particular purpose. We specifically disclaim any liability with respect to this document and no contractual obligations are formed either directly or indirectly by this document. This document may not be reproduced or transmitted in any form or by any means, electronic or mechanical, for any purpose, without our prior written permission.

Oracle and Java are registered trademarks of Oracle and/or its affiliates. Other names may be trademarks of their respective owners.

Intel and Intel Xeon are trademarks or registered trademarks of Intel Corporation. All SPARC trademarks are used under license and are trademarks or registered trademarks of SPARC International, Inc. AMD, Opteron, the AMD logo, and the AMD Opteron logo are trademarks or registered trademarks of Advanced Micro Devices. UNIX is a registered trademark of The Open Group. 0612

Hardware and Software, Engineered to Work Together