

The State of Talent Management Systems 2011

Written by

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Introduction

One of the attractions of working in HR, for people who classify themselves as a “people person,” has always been that it deals with people. No great surprise there, right? These days another attraction is the really cool technology coming into the market. Human resource and talent management technology has come into its own in the past few years and can cut down on administrative work while helping organizations focus on getting the best from their people. Today’s HR and talent management systems are easier to implement, better integrated, and easier to configure to meet user needs.

HR.com has always kept a close eye on developments in talent management technology and in this study we wanted to look not just at what is possible, but also at what organizations are actually doing. This study will alert readers to some of the key areas of talent management technology and allow them to compare their organization’s technological sophistication with that of their peers. This study also gives us a broader insight into the state of HR today and to what extent the potential of talent management technology is being realized.

We focused on six main areas:

Reporting and analytics capabilities. HR is moving from the role of providing services (such as training) to providing insights (such as determining the impact of training on retaining high performers). The ability to provide insights rests in part on the reporting and analytics capabilities of the talent management system.

Managing performance. Historically, performance management has been, ironically, one of the poorest performing processes within HR. Technology has breathed new life into performance management, but are organizations exploiting the opportunity?

Integration of systems within HR. Lack of integration between systems like recruiting, compensation, performance management, and training have long plagued HR. Our survey checks to see if these problems have been overcome.

Integration of HR systems with business systems. Integrating various talent management modules is a start, but integration with non-HR systems (such as finance and CRM) opens up new opportunities for analysis. We look at the prevalence of this kind of integration.

Engagement. Everyone has heard of engagement, but is everyone measuring it? This is a key HR metric and we wanted to see if organizations captured it.

Social media. This is new, and the best way to use social media is still being discovered. Has HR jumped into the social media world or is it shying away? We investigated the usage of several different types of social media.

HR.com’s survey gathered data from nearly 100 participants on the state of systems in their organization. Some of the high-level highlights include:

- A significant minority of organizations do have excellent reporting and analytics capabilities, which proves these systems really do work.
- The majority of organizations, however, still do not have strong reporting and analytics capability, indicating untapped opportunity to bring HR to the next level.

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- The majority of organizations is still unable to link employee activities to organizational goals, hence missing a fundamental element of managing performance.
- Somewhat fewer than half of all respondents have integrated data about employees into a single employee profile.
- The vast majority of large organizations (those with over 20,000 employees) measure engagement.
- A significant number of organizations have already taken the leap into using social media.

Detailed commentary on each of these important areas can be found in the sections that follow.

Reporting and Analytics Capabilities

The best talent management technology now has excellent reporting capabilities. Whether one wants simple reports or complex analytics, many vendors have tools to meet the need. The tools exist, but have organizations implemented them? In the survey we asked participants about three major aspects of modern talent management reporting:

Reports and Analytics to Support Decisions: HR and talent management systems include reports, dashboards, and analytics that allow management to make timely, proactive decisions to support the workforce and business goals.

Managers Have the Ability to Drill Down: Managers have (through their HR systems and analytics) the ability to drill down on specific areas of interest; for example, being able to see a department that is performing poorly and drill down to groups or individuals to see performance ratings skills or competencies.

Ability to Send Alerts: HCM and/or analytics systems have the ability to send alerts or notices that help anticipate and prevent workforce challenges on the horizon; for example, an alert about a high performer at risk of leaving.

These are all powerful tools, and ones well within the means to today's technology. Have organizations deployed these capabilities? Here are the survey results broken down by organization size so readers can compare themselves to organizations of similar size (Figures 1, 2, and 3).

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Figure 1: Reports and analytics to support decision-making

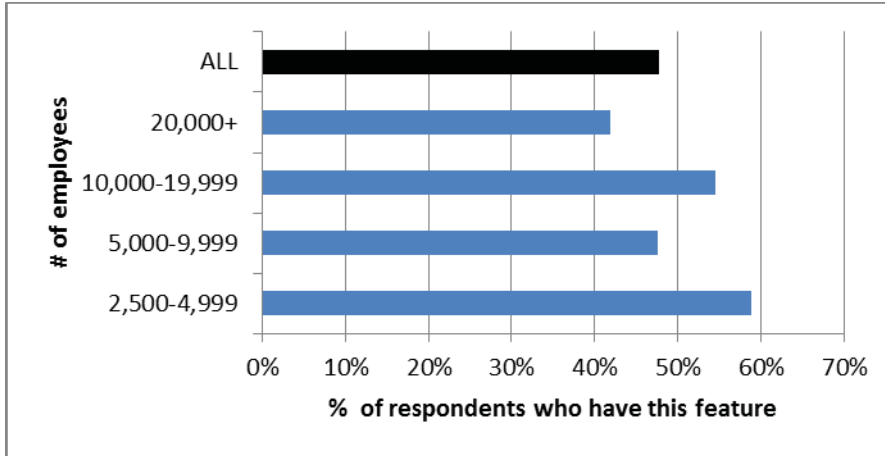


Figure 2: Managers have the ability to drill down

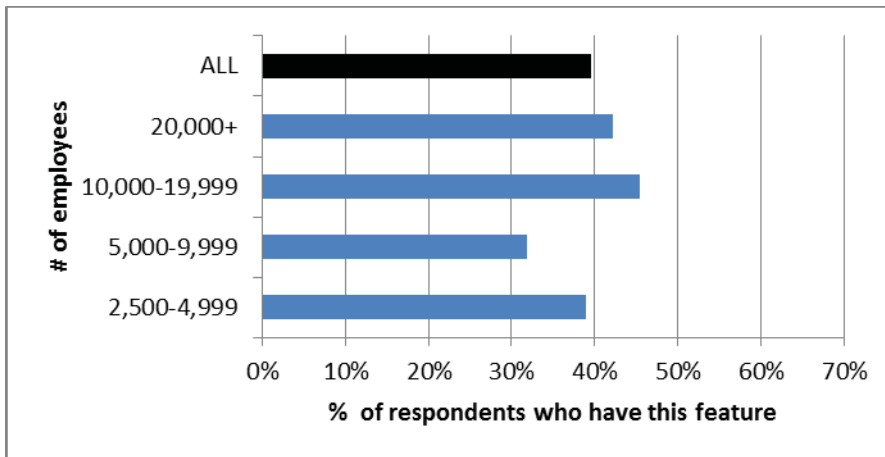
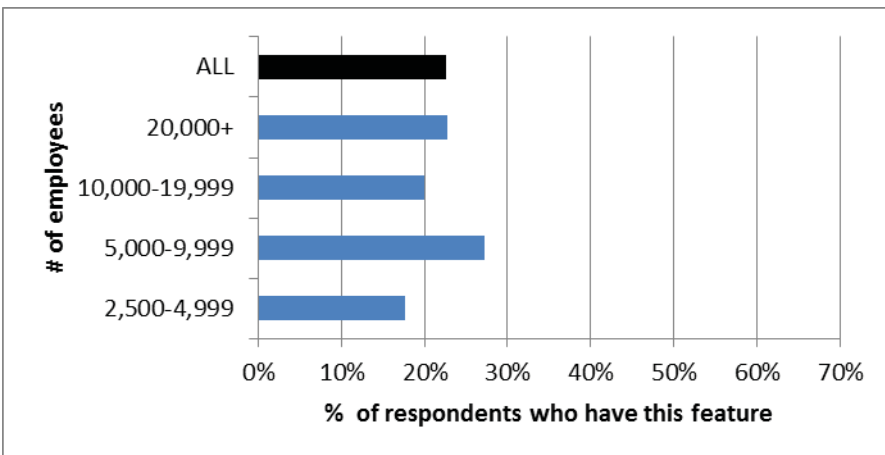


Figure 3: Ability to send alerts



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What you need to know

Reporting would seem to be a straightforward feature, but for all three types of reporting capabilities, less than half of the organizations agree or strongly agree they have this feature. Why do we see so many organizations that seem to be missing these capabilities?

For Figure 1, “Reporting and analytics to support decision-making,” the real issue is not the word “reports” but the phrase “support decision-making.” All systems can print out their data, but getting useful information that will drive decisions is much harder.

There are two issues worth focusing on: one is quality of the data, the other is skill in using HR data for decision-making. For many organizations, lack of clean data is the real issue preventing them from using reporting for decision-making. One large media organization wanted a simple report on the number of journalists, but could not readily do so because there were inconsistent coding schemes in different databases across the organization. This kind of problem is surprisingly common and HR leaders struggling with data quality should not feel alone; nevertheless, if the problem exists it needs to be fixed.

The first ‘takeaway’ from this study is that many HR departments need to invest in data management skills and make the effort to get HR data cleaned up. This is not glamorous work, but it is a basic element in effective talent management. We need to remember that talent management is not just building insightful competency models or having frank talent reviews; it’s gathering and coding data reliably.

The second issue is HR’s ability to do analytics that help managers make better decisions around talent. Too often HR produces detailed reports that leave management asking “So what?” If gathering the data is the biggest physical effort, the biggest intellectual effort is learning what information helps managers make decisions.

In their forthcoming book *Transformative HR*, Dr. John Boudreau and Ravin Jesuthasan argue that HR needs to develop logical frameworks to guide what they will report on, rather than focus on the ability to pump out data. For example, they suggest that rather than just report on turnover HR should apply marketing’s concept of segmentation to determine where investing to reduce turnover makes the most sense. If HR analysis shows that there is a specific costly problem with new-hire failure (people who leave shortly after being hired) or turnover of high-potentials then management can make informed decisions on making investments targeted to reduce turnover in that particular segment.

Once HR has a reasonable data and technology infrastructure in place then HR needs to put itself in management’s shoes to think about what kind of decisions they need to make—that is what guides the reporting. As soon as HR has framed this issue as “Where do we need to focus our effort in reducing turnover?” we are on the road to supporting decisions.

Our second takeaway is that often HR departments are weak in the kind of analytic skill required to turn data into insights. Jesuthasan recommends two tactics: partnering with departments that have those skills (such as marketing, finance, engineering, or risk) and bringing a few people with those kinds of backgrounds into the HR function.

The second reporting capability, “Managers have the ability to drill down” was found in about 40 percent of respondents. Getting the ability to access HR data out from behind the walls of HR and into the hands of managers is a good idea, but the feature is not found in older systems. However, as with other reporting capabilities HR needs to support managers in knowing how to make sense of the data. It is great for managers to take an interest in making data-based decisions about human capital; just do not expect them to know how to do this without guidance from HR.

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The takeaway is that HR departments not only need to build internal analytical capability, they need to help managers learn to use this information wisely. A good way to start is to work closely with a few managers to get a better understanding of what they need and mistakes they are likely to make in the absence of direction from HR.

The third reporting feature we investigated was the ability to send alerts, and the survey showed this ability was rare; just over 20 percent agreed or strongly agreed they had this ability. Sending alerts is potentially an exciting and useful feature. Imagine HR's analysis has found that high-performers under 35 who have not been promoted in the last three years are at high risk of turnover. A talent management system capable of sending alerts could identify these 'at risk' individuals in a timely way so management could intervene.

One thing to keep in mind with respect to alerts is how they can 'personalize' the data. It is one thing to talk about the cost of turnover or the ROI of initiatives to improve retention, but as Boudreau has repeatedly pointed out, to drive change HR must present the evidence in a way that captures the commitment of stakeholders. In the 'not been promoted in three years' example, alerts about at risk individuals personalizes the issue of turnover in a way that will grab management's attention. HR can even point to specific examples of high performing individuals who fit the profile who could potentially have been retained if the early warning alert system was in place. This is exactly the sort of feature that helps managers understand the value of talent management technology in specific rather than abstract terms.

HR should be excited about the potential of reporting including their own ability to support decision-making, putting drill-down capability in managers' hands, and creating a system of alerts. The glass-half-empty view emphasizes that the survey shows many organizations are not there yet; a more optimistic reading would be that many already have these sophisticated capabilities. Getting effective reporting in place requires the right technology, effective data management and analytical skill. These will all be essential elements for HR to have in place in the years ahead.

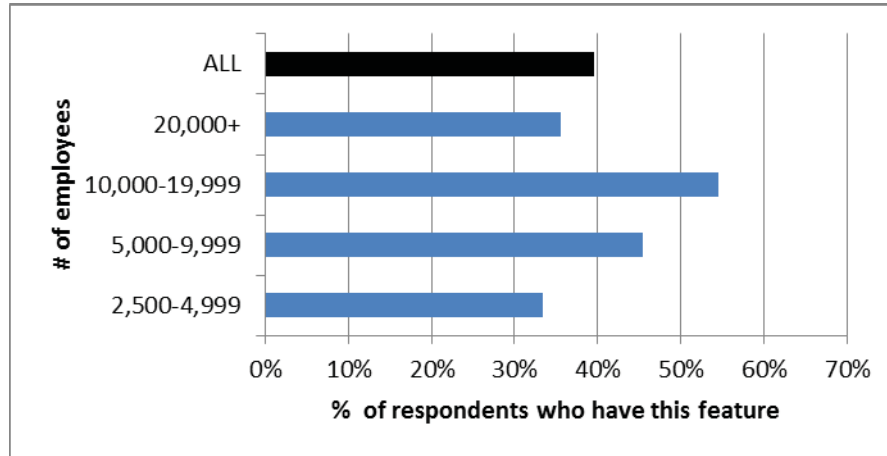
Managing Performance

In their soon to be released book *Management Reset: Organizing for Sustainable Effectiveness*, Ed Lawler and Chris Worley from the Marshall School of Business boldly state that if you do not do performance management well, it is better not to do it at all. They go on to argue that for sustainable organizations not doing it well is not a realistic option. One reason why performance management has been done poorly is that administratively it is a tedious process for everyone involved. In many cases simply getting most of the forms in on time is considered a major victory. Technology changes all that, but do organizations have this technology?

We asked respondents if their line managers can easily map employee activities to organization goals to provide visibility on their impact on the business (Figure 4).

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Figure 4: Ability to map employee activities to goals



What you need to know

Whereas comprehensive data management and analytics to report decisions is hard, implementing effective performance management is relatively easy. In fact, the payoff is almost immediate, because as soon as an organization puts the technology in place, the performance management process goes so much more smoothly that the investment can be justified simply on the amount of time managers save. It is always a pleasure to be able to point to clear administrative saving, but the main payoff is actually better performance management, which means employees' activities are aligned with organization goals. This payoff is hard to measure, but can be very large. The specific feature we asked about in the survey "easily mapping employee activities to goals" simply falls out as a natural outcome of the performance management system--it is not something that demands a lot of extra work.

The take-away from the survey is that about 40 percent of organizations have this capability, and for the 60 percent who do not yet have this in place it is time to get moving. Performance management is the low hanging fruit of talent management technology. Getting this module in place is a great way to demonstrate the value of modern talent management technology to managers across the organization.

Integration of Systems within HR

The rapid evolution of modern talent management systems started piecemeal with a large number of vendors producing various point solutions in areas like recruiting, performance management, and learning. Since those early days, HR has been scrambling to find integrated solutions. To learn how much progress has been made we asked respondents about two aspects of integration of systems within HR:

Employee Profiles: Our HR data is organized to create employee "profiles" that are leveraged in our talent management applications, and allows management to understand the skills and capabilities available within the current employee base, and where additional learning or recruiting is needed.

Career/Succession Integration with Compensation/Performance Management: Our career and succession planning functions are integrated with compensation and performance management, which allows management greater ability to enable pay for performance.

The survey results are shown in Figures 5 and 6.

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Figure 5: Organizations with employee profiles

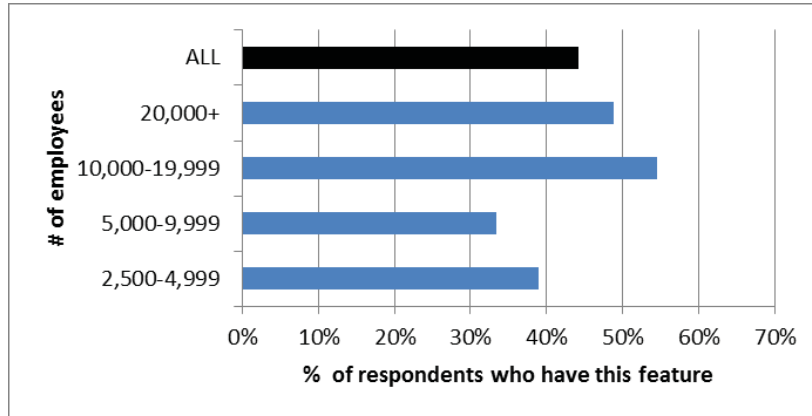
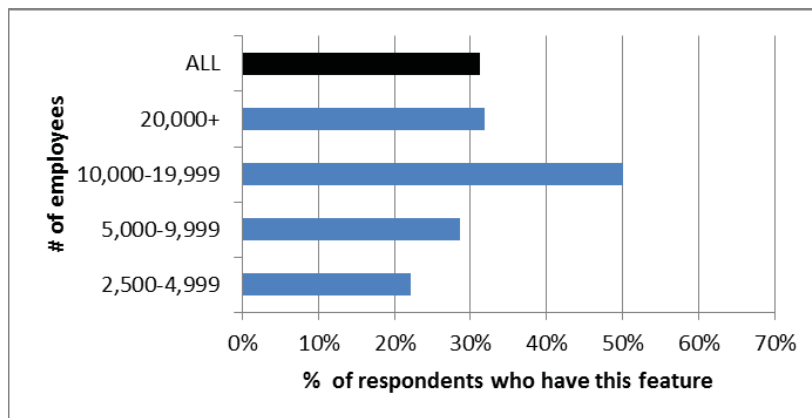


Figure 6: Career/succession integration with compensation/performance management



What you need to know

In *The Talent Masters* by Bill Conaty and Ram Charan, Conaty (who led HR at GE) reflects on how helpful basic employee profiles were for deploying talent. Before these profiles, if GE needed an IT manager who spoke French for some role, the choice would be based on who the leaders happened to know. This person might not be the best candidate within the vast GE organization, but there was no real way to know. The availability of basic employee profiles with data on background, skills, and performance turned an ad hoc process into something much more systematic and led to higher quality decisions.

Jesuthasan and Boudreau have written about more sophisticated uses of employee profiles at Deutsche Telekom and IBM. Both these organizations can actively manage talent pipelines using a framework of job families and sub-families that create a common language for jobs in different parts of the business. Generally, the more information in the profile the more useful it can be. Education, certifications, traveling preferences, shift preferences, personal goals, interests, competencies and many other factors could potentially be captured in a profile. Possible uses for a profile include succession planning, career planning, workforce scheduling, identifying learning needs and so on. In fact, the employee profile is really a key building block in talent management.

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Figure 5 showed overall about 45 percent of organizations have employee profiles as part of their talent management system. Given how fundamental employee profiles are, this number is expected to go up as organizations build in the integration between HR systems to pull profiles together.

The key takeaway for HR is the comment from Conaty at the start of this section. Even basic profiles are very useful. Organizations without this building block should put creating profiles high on the agenda. The insight from Boudreau and Jesuthasan is that if you have basic profiles there is still value in creating more comprehensive profiles to provide enterprise-wide insight into your talent pipeline.

The second aspect of integration we looked at was linking career and succession planning with performance and compensation data. Just over 30 percent of respondents have this kind of integration. HR's sense that succession planning is valuable is bolstered by a 2009 CedarCrestone study ¹ which showed organizations that did extensive succession planning had better sales growth than those with limited succession planning. The best results were from those organizations that looked at succession for all employees, not just 'critical talent.' This is correlation, not undisputed evidence of causation, but often in HR causation works both ways: successful organizations have better HR and organizations with better HR are more successful. The reason some organizations have kept the scope of succession planning small is due to the work involved, but as technology comes into play and puts performance information into the hands of managers it becomes easier to look at large numbers of jobs.

The takeaway is that linking career and succession planning with performance and compensation data has not been a priority for our respondents, but there is evidence to indicate that embracing succession planning as a normal extension of performance management pays off.

Integration of HR systems with Business Systems

Most of the focus in HR has been integration between the different talent management modules. However, ideally integration includes the ability to communicate to other business systems. We asked respondents about their overall integration:

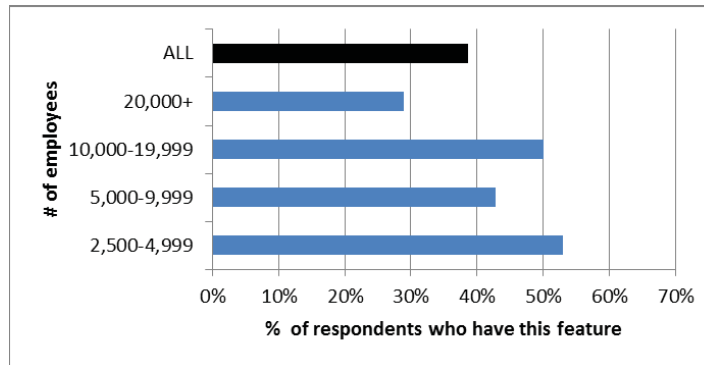
- **Integration:** Our HR data is integrated or interfaced in one system that includes both core HR functions and talent management, and communicates easily with other back-office systems such as financials, supply chain, procurement, or customer relationship management.

¹ CedarCrestone 2009–2010, HR Systems Survey: HR Technologies, Deployment Approaches, Value, and Metrics (12th Annual Edition)

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Here are the results:

Figure 7: Are your HR systems integrated within HR and to back-office systems?



What you need to know

It has been so much work for HR to get good talent management systems up and running that they can be forgiven for not having looked beyond the function to integrating with systems outside of HR. In that light, the fact that nearly 40 percent report they have this integration is pretty good.

Before we talk about some of the specifics as to why this level of integration is useful, we want to step back and get HR focused on the bigger picture. Almost without exception when you talk to successful Chief Human Resource Officers they always talk in terms of the business, not in terms of HR. If you want HR driving the business, instinctively you would want HR systems tied to the business systems.

Philosophically, it feels right. Specifically where is the value?

For many, the most direct gain is linking to CRM. There are typically large numbers of employees in customer relationship roles, and the CRM automatically captures a great deal of performance information. Linking talent management to CRM allows HR to look at all sorts of issues around how effective hiring is, the profile of people who become high performers, where training is needed, and the impact of training on performance. Another useful linkage is to financials so that HR can study if factors like engagement drive performance in their business.

The takeaway for HR is that ultimately integration should reach outside of the HR function, and this integration is very much in-line with HR's true role as an integral part of the organization, not a staff function sitting somewhere off to the side.

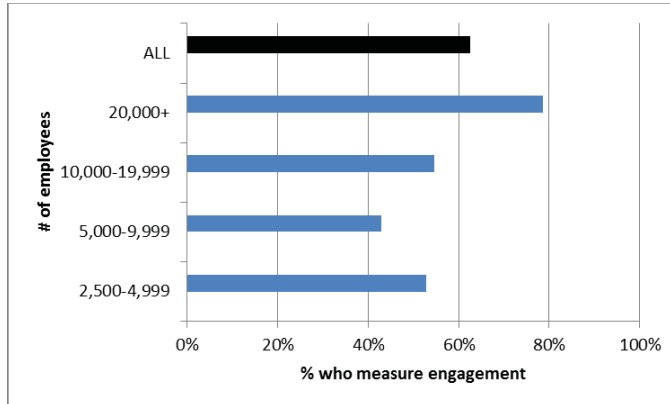
Engagement as a Key Linkage Element

Engagement is a key linkage element between people management activities and business results. Many studies have shown how higher engagement drives important business outcomes like sales and profits. In many ways this result mirrors the work by Ed Lawler and others on high-involvement organizations, which showed what is intuitively obvious: people supported and empowered in their work do better than people treated like replaceable parts. Engagement is easier to measure than whether or not the organization has effective high-involvement practices, which has contributed to its popularity.

We asked if respondents measured engagement in their organizations; the results are shown in Figure 8.

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Figure 8: Does your organization measure engagement?



What you need to know

In the popular vocabulary engagement implies enthusiasm, and while that is not wrong the actual measures of engagement get at something different. The most famous measure of engagement, Gallup's Q12™, asks questions like: Do you have the material and equipment to do your job right? Do you know what is expected of you at work? At work, do you have the opportunity to do what you do best every day?

In many ways these are simply basics of good management (employees who have the right tools, know what they need to do, and are in a job that matches their skill set) rather than some new idea implying employees need to be passionate about their work.

Some academics criticize engagement because the leading vendors measure different things. Laurie Bassi, author of HR Analytics Handbook, does particularly sophisticated work on human capital measurement and can also sound critical of engagement when she argues that organizations may work too hard to maximize engagement when it should be optimized. She also has done research showing that there are other important human capital factors that need to be measured. However, Bassi's criticism is really that engagement could be used more effectively than it is now, not that it is not a useful idea.

Since engagement is such a useful general measure of the health of human capital, it makes sense to have it available for reporting and analytics. As Figure 8 showed, in organizations with more than 20,000 employees close to 80 percent measure engagement, and in some of the remaining 20 percent it may be that their ability to analyze employee opinion survey data is such that they capture indices of equivalent value. In smaller organizations the prevalence of measuring engagement is less; and given how easy it is to do this kind of measurement there is really no excuse not to do so.

The takeaway is that almost all organizations should follow the lead of large organizations and measure engagement or some equivalent human capital indices.

Social Media

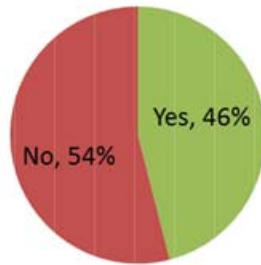
Social media are much in the news, but are they an HR issue? HR does not 'own' social media the way it 'owns' compensation, but like any new tool it can fall into the white space between functions and it certainly makes sense for HR to take an interest. In this final section of the survey we looked at five aspects of how social media can be used in organizations.

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Facebook and LinkedIn

The most important use of social media in HR is in recruiting, where LinkedIn is a key sourcing tool, and Facebook is useful in branding. Figure 9 shows just less than half of the respondents use Facebook and LinkedIn for recruiting/branding.

Figure 9: Do you use Facebook and LinkedIn for recruiting/branding?



It's worth noting that there are potential legal issues associated with recruiting using these tools. Certainly managers should not be looking at the Facebook pages of applicants as it exposes them to a great deal of information that is not relevant to the job and could easily open them to accusations of bias. LinkedIn is more business-like, but may be harder to remain compliant in documenting sourcing activities than when using job boards, something that is a particular issue for federal contractors.

That said, Facebook has become such a key part of the Web that not having a presence on Facebook today is a bit like not having a presence on the Internet in 2000. Similarly, LinkedIn is such a powerful tool for recruiters that it is surprising that any professional recruiter would forego it.

The takeaway for HR is that while social media is new for recruiting its use has grown rapidly and will soon be as ubiquitous as applicant tracking systems and structured interviews. Organizations that do not explore this area and build capability in using it are putting themselves at a disadvantage.

Internal and external blogs

Internal blogs in themselves do not seem to be a dramatically new tool. What is the difference between information presented on an internal blog compared to a newsletter or memo? The main difference is in the cultural elements associated with blogging rather than the medium itself. Blogs are meant to be frequent and informal. If a memo goes out saying we need to pay more attention to opportunities in Chile then that is close to an official statement of company strategy. However, a CEO blogging about how interesting Chile is, and opining that it has a great future, can be seen for what it is: a reflection of what is on the CEO's mind at the moment. There is reason for senior leaders to remain careful about what they say in a blog—and corporate communications will no doubt be all over this—but blogs do open the opportunity for a new kind of communication and done well, it will improve engagement.

The distinction between external and internal communications is blurring as organizations realize that information meant for internal consumption can rapidly become external and that some of the most avid consumers of external information are employees. In both cases, blogs are a new media that has particular characteristics organizations can benefit from.

Are organizations using blogs? Figures 10 and 11 show that while the majority does not, a sizeable minority has taken the plunge.

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Figure 10: Do you use internal blogs for communications and training?

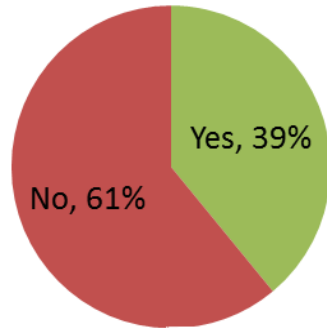
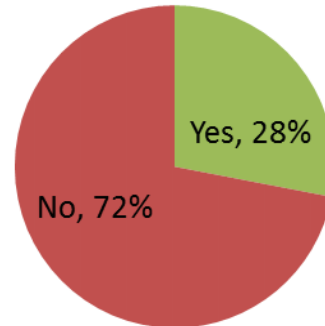


Figure 11: Do you use external blogs for branding and product/service promotion?



What is the takeaway for HR? It is not essential to have internal or external blogs, but the willingness to experiment a little with them indicates a willingness to try new things and to learn. That is an attitude HR would do well to inculcate.

Knowledge sharing with instant messaging, wikis and social networking

Knowledge sharing is still an arena where best practices are not clear. Certainly many knowledge management projects have gone awry; yet no one doubts the importance of sharing knowledge. A simple tool familiar to anyone under thirty is instant messaging. It has a place in communication along with other methods like face-to-face meetings, the telephone, video calls, and email. If organizations provide secure instant messaging they reduce the risk of information meant to be kept private from leaking out.

Most people had never even heard of wikis prior to Wikipedia, which was founded just 10 years ago. As Encyclopedia Britannica has learned to its dismay, wikis can be a stunningly powerful tool for sharing knowledge. However, simply creating a corporate wiki does not guarantee anything will happen; the technical infrastructure is easy, the social infrastructure to make it work is subtle and difficult.

Are organizations using instant messaging, wikis and social networking for knowledge sharing? The results of the survey are shown in Figures 12 and 13.

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Figure 12: Do you use secure instant messaging for collaboration?

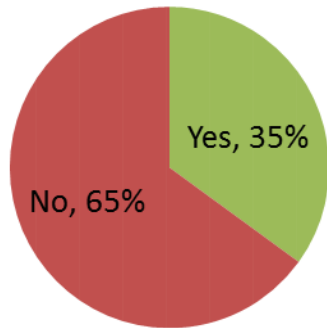
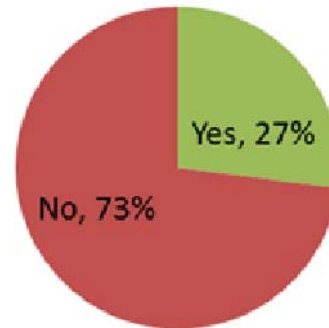


Figure 13: Do you use wikis, social networking, etc. for collaboration/knowledge sharing?



The data shows a significant minority of organizations are making pioneering efforts in using social media for knowledge sharing.

What you need to know

In the award-winning film *The Social Network*, Facebook's founder Mark Zuckerberg has the wise insight "We don't know what Facebook is yet." The same can be said for all uses of social media. We are still in the early days, but HR should be actively encouraging the organization to explore its potential. There is some downside risk of course, but that is true for any innovation.

Final Observations

The capabilities of talent management technology have evolved faster than our ability to implement it. HR needs to work hard at building the range of competencies that will make the most of this technology; including technical know-how, analytical capability, and business savvy.

If an organization does not have all these competencies in place, the message of this survey says they are not alone. Many organizations still lack strong reporting and analytics, integration, performance management technology, and applications of social media. Nevertheless, organizations without good talent management systems will soon feel like companies without good supply chain systems or good risk management and find themselves at a clear disadvantage to competitors.

What do you need to do?

- First, make yourself aware of what is possible with the latest integrated talent management systems. The field has advanced quickly and HR's knowledge needs to be continually refreshed. Visit trade shows, meet with colleagues in other organizations, and speak to vendors to be aware of what possibilities exist.
- Next, do an assessment of where your systems are now. This does not need to be an overly formal project. Convening your HR team and rating where your systems stand versus best practice is an easy way to get a realistic view of where the main weaknesses are.
- Develop or update your talent management technology strategy in-line with the organization's strategy. Not so long ago HR did not need to have a technology strategy. Today it is essential. The strategy, of course, needs to flow from the overall business

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strategys part of this strategy review consider who 'owns' talent management. Some organizations have appointed a chief talent officer, and while a single point-of-ownership is not essential, it is important to have a coordinated and strategic approach to talent.

- Review the capabilities of HR staff. There are new demands on HR to be good at data management, technology implementation, and analytics. The HR function needs to develop the capabilities through a combination of hiring, development, and partnering.
- Implement a talent management technology plan with a view to the long run. It has been an exciting decade in HR technology and there is no sign of progress slowing down. In the years ahead HR will need to constantly improve both its talent management technology and its skills in taking advantage of that technology. It is an area too complicated and too important to approach in an ad hoc manner; HR needs to have a plan.

The good news for HR is that as talent management systems put useful tools and information in the hands of managers, there will be a broader base of support for investment in talent management systems. Talent management is a critical lever for managers to achieve their goals; HR needs to guide them on how to pull that lever. The future of talent management technology is brighter than ever.