



Talent Management: Employers' Views

Independent Review of the Practical Insights Business Leaders Survey

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Introduction

This brief report reviews and provides independent commentary on the results of a survey of business leaders conducted by Kaplan. The survey explored employers' perceptions of the impact of talent management on their business. To assist with completion of the survey respondents were provided the following definition of talent management, which can be found on the CIPD website¹:

***Talent** consists of those individuals who can make a difference to organisational performance either through their immediate contribution or, in the longer-term, by demonstrating the highest levels of potential.*

***Talent management** is the systematic attraction, identification, development, engagement, retention and deployment of those individuals who are of particular value to an organisation, either in view of their 'high potential' for the future or because they are fulfilling business/operation-critical roles.*

Responses

There were a total of 256 responses to the survey, from a wide range of sectors, the most frequently occurring was "Finance and Insurance" with 19% of responses, followed by 'Manufacturing' at 13%. The majority (48%) were SMEs employing less than 250 people, which is to be expected given the majority of UK employment is from firms of this size. There was also significant representation from 1,000+ large corporates (28%). 85% of respondents had been trading for more than 10 years.

48% were in senior financial positions (Manager, Controller or Director), with a further 21% involved in managing human resources (Learning & Development, Training, HR Director or HR Manager).

In terms of business optimism the majority (84%) of respondents stated that they anticipated growth in their business over the next two years, with the largest proportion of these (43%) expecting this to be at a rate of between 5 and 10%.

The Survey

The survey explored the specific issues around the:

- ▶ Definition of talent within an organisation
- ▶ Extent to which structured talent management programmes are employed
- ▶ Reasons for putting talent management programmes in place
- ▶ Extent to which other training opportunities are made available
- ▶ Issues faced in retaining talent
- ▶ Confidence in the economy

Who are the Talent?

To help with understanding the issue respondents were asked to provide their classification of 'talent'. The most common response – in the context of the CIPD definition – was essentially “...*everyone in the business who can contribute in a management or technical role...*” with 88% of respondents providing this in the top three responses. A significantly smaller number (7%) felt this only applied to a select group of people within their organisation. A further very small group of respondents (3%) stated that this applied to people above a certain grade – perhaps implying that talent was dependent on position and not a function contributing to achieving that grade.

This can be seen in the talent definitions² given by respondents, which in rank order³ were:



² Respondents were offered the choice of pre-coded responses or to provide their own as “other”

³ Please note responses add up to less than 100% due to rounding

A Structured Approach to Talent Management

Having established a definition of ‘Talent’ in the context of the contribution people make to the organisation, we then went on to explore the extent to which respondents adopted a formal strategy to managing this asset. In response to the question “...do you have a programme for managing the talent within your company...” just over half (54%) told us that they do have a Talent Management Programme (TMP) in place.

Generally, it was felt that this approach is for everyone in the organisation – consistent with the earlier definition of talent – with 66% of those stating they had a formal TMP in place also confirming that it was targeted to all staff.

- ▶ In terms of long term planning related to their staff as key business assets 34% of those with a TMP are looking at development opportunities for their people more than 12 months in the future and a further 25% are looking more than two years in the future on this issue
- ▶ Nearly half of respondents (47%) with a formal strategy in place estimated that less than 40% of their staff were aware of the criteria needed to get onto their talent development programmes

While there is an encouraging commitment to formal talent development it can be clearly seen that not all organisations recognise the value of this approach, with 46% of respondents telling us they do not have a TMP in place. There would also seem to be a lack of clarity amongst staff of the requirements to access the support available under their organisation’s talent management programme.

Developing People outside of a TMP Approach

When we asked respondents if they offered their staff training outside of any formal talent management programme the overwhelming majority (94%) offered training to their staff with only 6% stating they did not. Of the group that did not offer training outside a formal TMP 3% had a formal strategy in place, which is again in line with the sentiment that talent management is for everyone.

	Do you have a Talent Management Programme?			
Outside of a TMP do you offer your staff any form of training?	No	Yes	Don't Know	Total
No	2%	3%	0%	6%
Yes	37%	52%	6%	94%

Note: Rounding has been applied to these responses which are expressed as a percentage of the total returns

Why Talent Management?

To understand why organisations invest in formalising their talent management strategy we asked respondents to tell us what the key drivers were for adopting this approach. The most significant response was the desire to retain people, followed very closely by a fundamental belief in developing people within the organisation. The responses are shown below⁴:

Retention – if we don't do it we lose our best people	83%
Developing our people is key to our organisation's ethos	79%
Business growth – we need new leaders to grow our business	72%
Offering development as part of the value proposition for new hires	43%
To be honest, we have a skills gap and we're playing catch up	16%
Other	1%

Retaining the Talent

One of the main motivations for having a talent management programme in place was retention of existing staff:

83% of respondents who have a formal strategy in place state that they promote talent development as a retention vehicle in the belief that if they don't they will lose their best people.

When looking at the level of staff that were hardest to retain most respondents reported the loss of junior managers as an issue – this was the most significant response after “all staff” with 35% of respondents reporting this as a concern.

All staff	42%
Junior manager level	35%
Senior manager level	9%
Director level	3%

This group (junior managers) are most likely to be Millennials⁵ (Generation Y) who generally expect significantly faster progression than preceding generations and are at a career stage in which they are looking to progress in terms of pay and responsibility. This is, perhaps, confirmed by ‘progression opportunities’ being the most significant reported reason for staff leaving. The full list is:

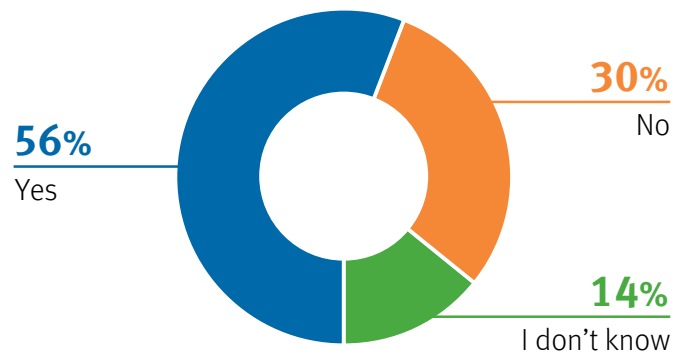
Progression opportunities	60%
Pay	30%
Other	24%
Don't know	18%
Lack of training and development	3%

⁴ Please note more than one response was allowed

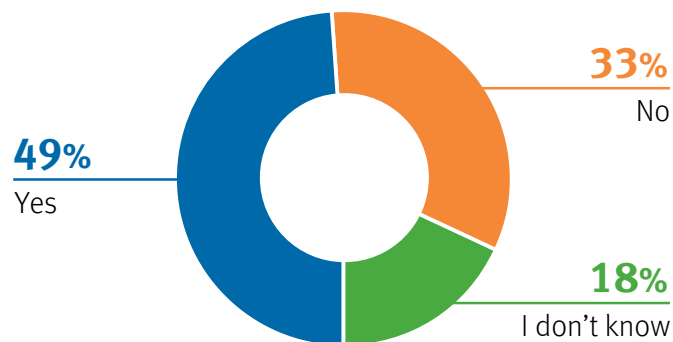
⁵ Millennials born 1981–1996

However, those companies that have a TMP in place report they are 18% less likely to lose junior managers.

When asked if they believed retention of staff could be improved, the majority said it could:



We also asked if respondents have a strategy in place for retaining talent, less than half (49%) did:



Strategies for retaining talent

We also asked people to share with us the strategies employed within their organisation to retain talent. The responses were broadly in line with the second most popular reason for implementing a formal talent development programme “...*Developing our people is key to our organisation’s ethos...*”. The key themes emerging from this exercise were:

- ▶ Career progression opportunities
- ▶ Structured support for career progression
- ▶ Linking performance to clear objectives
- ▶ Culture
- ▶ Bonuses and incentives
- ▶ Managing ‘flight risk’
- ▶ Engagement

These are discussed in more detail next, with examples of supporting comments from respondents.

Strategies for retaining talent – key themes

Career progression opportunities

Providing a clear development path for the overall trajectory of people's careers within and organisation was consistently expressed as a key strategy.

"...A new clear job progression structure with a slight pay increase..."

"...Transparency on career advancement..."

Linking performance to clear objectives

A clear approach to the linking of individual performance and progression, as well as feedback to allow the organisation to understand when this hasn't worked.

"...All team members approaching qualification are offered one-to-one meetings with the Managing partner to discuss their career aspirations and how we can help them achieve them..."

"...Annual appraisal, exit interviews which are acted upon. Training and CPD courses..."

"...we tie people into training contracts... always look to promote internally and can evidence this with new starters so they can see...looking at a career path for them..."

Structured support for career progression

Linked to the career progression is the need to provide a clear process and mechanism to support people in achieving their potential.

"...Career plans for individuals and opportunities for secondments to different departments/clients..."

"...Continuous development offering other opportunities within the organisation..."

"...Mentoring. Development. Career progression..."

"...Formal Development Review process..."

Culture

Developing an open culture in which managers engage and empower individuals to the deliver their own career objectives.

"...Better management..."

"...Culture of people development - managers recognising that people need to be engaged and that means us engaging with each person to get them in the right role and capable to deliver results..."

"...Engagement. Empowerment. Involvement..."

"...Good relationship to ensure they are motivated and happy in the organisation..."

*"...**Grow the Best** – on line appraisal and TNA, eLearning, team leader and team manager development programmes, ongoing staff, team leader and team manager development. Access to vocational qualifications, internal vacancy sharing, annual standards exams..."*

***Love the Best** – Competitions, online communication platform, staff appreciation days/weeks, Extra Inch – Recognition and Reward Scheme, Employee Benefits..."*

***Keep the Best** – Succession planning via PM system and Development Programmes..."*

"...Identifying it ... (talent)... nurturing it and endeavouring to explain they are valued..."

"...Improving the organisational culture and communication..."

Strategies for retaining talent – key themes

Bonuses and Incentives

A common strategy for retaining talent is the link to performance from incentives and bonuses both financial and non-financial.

“...Bonus schemes, staff benefits, restructuring to create development opportunities.”

“...For my team I try to eradicate the reasons to leave – pay, opportunity and training...”

“...Employee shares...”

“...Company Equity...”

“...Golden handcuffs...”

“...Generous pay, family friendly terms and conditions...”

Managing ‘Flight Risk’

Taking an approach within the organisation that identifies talent that is important to the business and targeting them to ensure they stay.

“...Employees identified as a flight risk are specifically coached on their career aims. Talent management programmes help retain people...”

“...Focus on retention risk categorisation for all, look at specific actions to retain those who are critical to ongoing operation...”

“...Identify critical roles and high performers within the organisation and ensure they are motivated, challenged and have a clear direction within the organisation...”

Opinion

Providing formal and informal opportunities for staff to share their aspirations, concerns and successes, in short effectively listening to the team.

“...Annual surveys to identify issues, sharing successes, recognition and reward, cross-functional projects...”

“...Engagement Surveys...”

“...Staff in the team are encouraged to speak up and offer their opinions ...”

“...Closer career management through regular 1-1 meetings...”

“...360 degree feedback. Talking and listening...”

“...Regular Communication Sessions...”

Transparency

A regular theme was that of providing a clear benchmark of the salary and conditions offered compared with others similar organisations.

“...Comparing the pay package with like for like businesses...”

The most effective strategies for retaining talent

When asked what has been found to be most effective in retaining talent, the responses indicated the following:

Flexibility

- ▶ Additional investment in training when requested. Flexibility of working or benefits for staff
- ▶ To be open-minded about what direction people develop in
- ▶ Offering flexible working. Generally caring for staff

Involvement

- ▶ Asking staff what areas they want to get involved in
- ▶ Communicating with staff, ensuring they know how they can progress within the business and what they need to do/need from us
- ▶ Employee Engagement – A Thank You goes a long way
- ▶ Speaking to people

Progression

- ▶ Creating clear progression lines, giving people more responsibility and empowering staff to make decisions
- ▶ Having a clear career path set out
- ▶ Career progression opportunities
- ▶ Progression and further training

Benefits and rewards

- ▶ Recognition of talent – promotions
- ▶ Reward strategy, generous leave entitlement
- ▶ The bonus scheme
- ▶ Recognition of talent – promotions
- ▶ Good pay
- ▶ Giving staff responsibility linking pay with performance
- ▶ Don't scrimp on training and development
- ▶ Increasing salaries

Targeted Development

- ▶ Identifying those with potential and that meet business requirements from an early stage and ensuring they receive the required training and development
- ▶ Talent spotting at an early stage - post apprenticeship and development through work placements to give wider opportunities to find the right placement

The importance of Higher Education in measuring talent

To further understand the ways in which the talent of existing staff is assessed we found that the majority (83%) do not feel that possession of a degree is in itself an indicator of talent. Of the significantly smaller group who believe a degree is important (14%) the majority of this group (59%) also believe the type of degree is important, citing:

We look at the course and its relevance to our need	56%
We are looking for specific technical expertise to meet the needs of our business	44%
We are looking for a first degree at 2.1 or better	24%
We look for degrees from 'good' universities	16%
We look for people that have completed their degree full time	4%
A qualification that shows some relevance to our business needs is desirable not essential	4%

From this it appears – on balance – that the performance, skills, competencies and motivation of existing staff are more important indicators of talent than academic qualifications. Where a degree is viewed as being important in identifying talent, it is most often linked with specific business needs or technical requirements.

Developing Talent: What the 'talent' want

The most commonly requested forms of development desired by staff themselves were technical and general personal development training. However, requests also include opportunities that are not necessarily easily recognised as formal support such as peer-to-peer learning, secondments or conferences.

Technical specific training e.g. project management qualifications	79%
General personal development training e.g. influencing, skills training	77%
Internally delivered coaching or mentoring / training	54%
Peer-to-peer training - on the job	51%
Externally delivered coaching / training	42%
E-learning	30%
Secondments	27%
Conferences	18%
Other	3%

Measuring the Impact of Talent Management

The most commonly reported method of measuring the impact of talent management programmes was the observable changes in individual behaviour.

Behaviour – how learning is applied back on the job	71%
Results – effect of training on the business i.e. growth	56%
Reaction of the individual – what they thought and felt about the training	41%
Learning – measuring the increase in knowledge following training	37%
Other (please specify):	4%
“...Specific KPIs...”	“...All of the above...”
“...I don’t believe it is effectively measured...”	“...Observable changes in behaviour...”

Links back to business objectives

When asked if training programmes are linked to any formal appraisal or development need identification process the majority told us this was the case:



The most common response identified appraisals, continuous professional development (CPD) or personal development plans (PDP) linking back to personal and overall business objectives:

“...Appraisals identify needs and reflect on impact...”

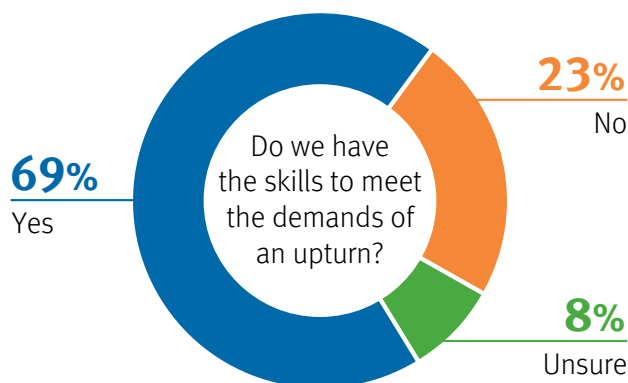
“... Each member of staff have a PDP which is reviewed regularly...”

“...CPD needs to be identified...”

Talent, Business Confidence and Growth

The UK economy has shown signs of economic growth with varying levels of optimism for the future. What is clear from sources including the CBI⁶, UKCES⁷ and British Chambers of Commerce⁸ is that the availability of a skilled workforce is one of the keys for business success. To test this we asked respondents “Do you feel confident that the economy is improving and will continue to improve over the next 2–3 years?”, a very large majority (84%) stated that they were.

Further to this we asked if they were confident that they had the skills in their existing workforce to meet the demands of an economic upturn:



However, when we look at the same question and consider this by those who have a formal TMP in place significantly more respondents (76%) are confident that they will have the skills in place to meet the demands of the upturn compared with those that don't (61%).

This is shown in the table and chart below.

	We have the skills to meet the demands of an upturn		
	Yes	No	Don't Know
We DO have a Talent Management Programme	76%	16%	8%
We DON'T have a Talent Management Programme	61%	34%	5%

When asked if they planned to invest in the skills of their workforce in the future those with a formal TMP in place are more likely to do so and firmly state this will always be the case.

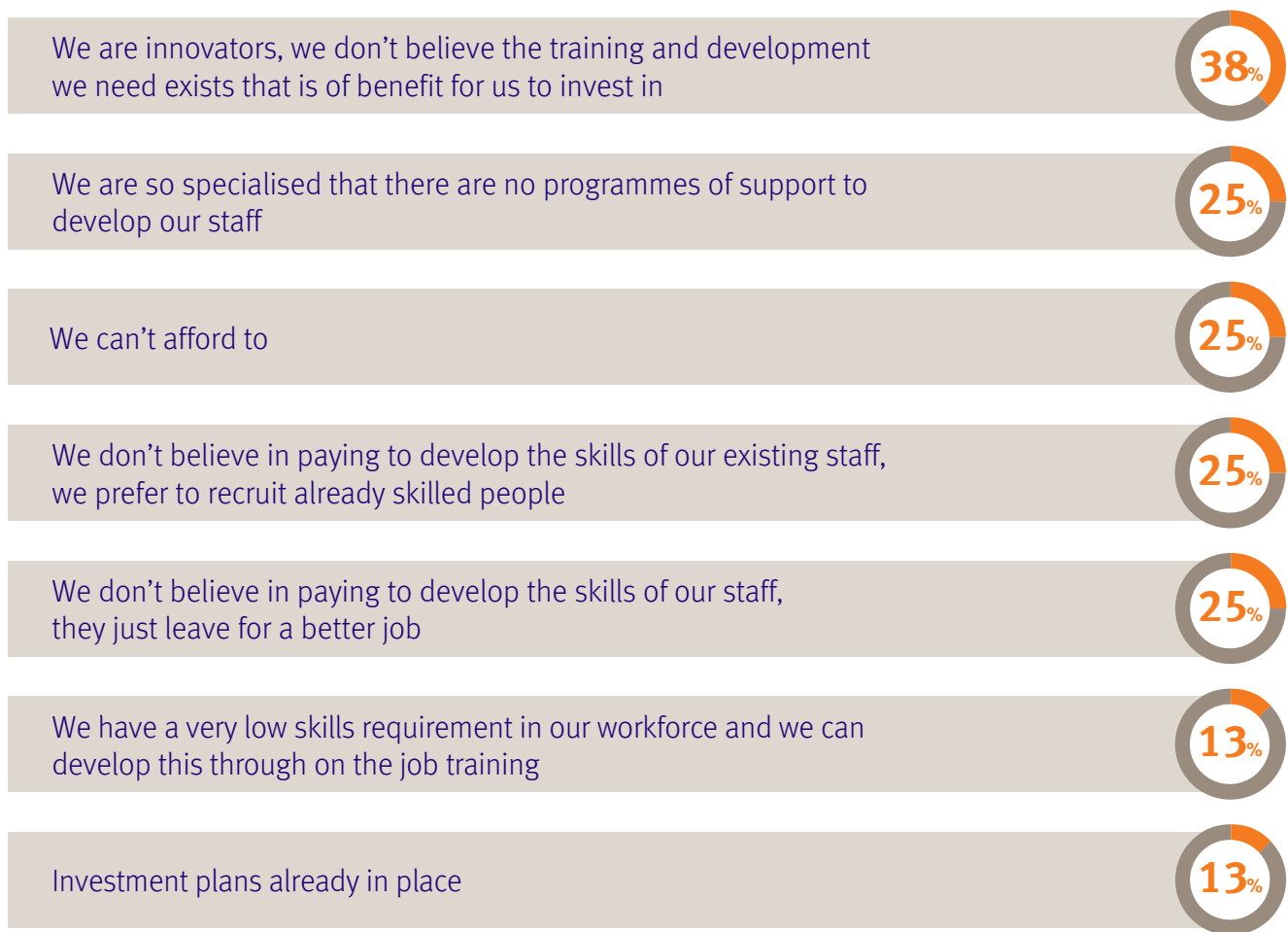
	We plan to invest in the skills of our Workforce		
	Yes	No	Don't Know
We DO have a Talent Management Programme	93%	0%	7%
We DON'T have a Talent Management Programme	81%	8%	11%

6 <http://www.cbi.org.uk/campaigns/getting-the-uk-working/>

7 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/328282/Summer_What_Ov4.pdf

8 <http://www.britishchambers.org.uk/policy-maker/policy-reports-and-publications/q3-2014-economic-forecast.html>

When we look at the responses from employers who do not plan to invest in the skills of their workforce, we can see that none of this group have a formal TMP in place. The reasons given for this decision were (multiple responses allowed):

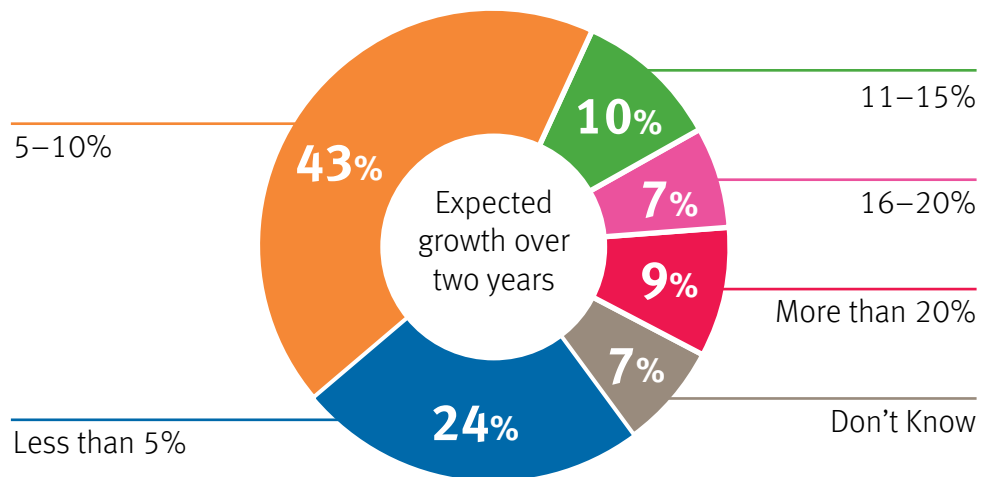


From these results the most significant reasons given by organisations for not training is that they are either innovators or so specialised that they do not believe the training exists to support them. However, when considered against the earlier finding that employees request the following forms of training:

General personal development training (e.g. influencing, skills training)	77%
Internally delivered coaching or mentoring/training	54%
Peer-to-peer training – on the job	51%

This suggests that these companies are either not recognising the opportunities they do provide to their staff or overlooking significant benefits. However, there is a clear issue with companies' perceptions of the cost of training, which, perhaps suggests a failure to recognise the cost of not investing as expressed by a large proportion of those organisations that do in terms of talent retention.

When we asked if respondents expected their company to grow over the next two years 93% said they did. The majority (43%) of those that expected to grow saw this in the range between five and ten per cent as shown below.



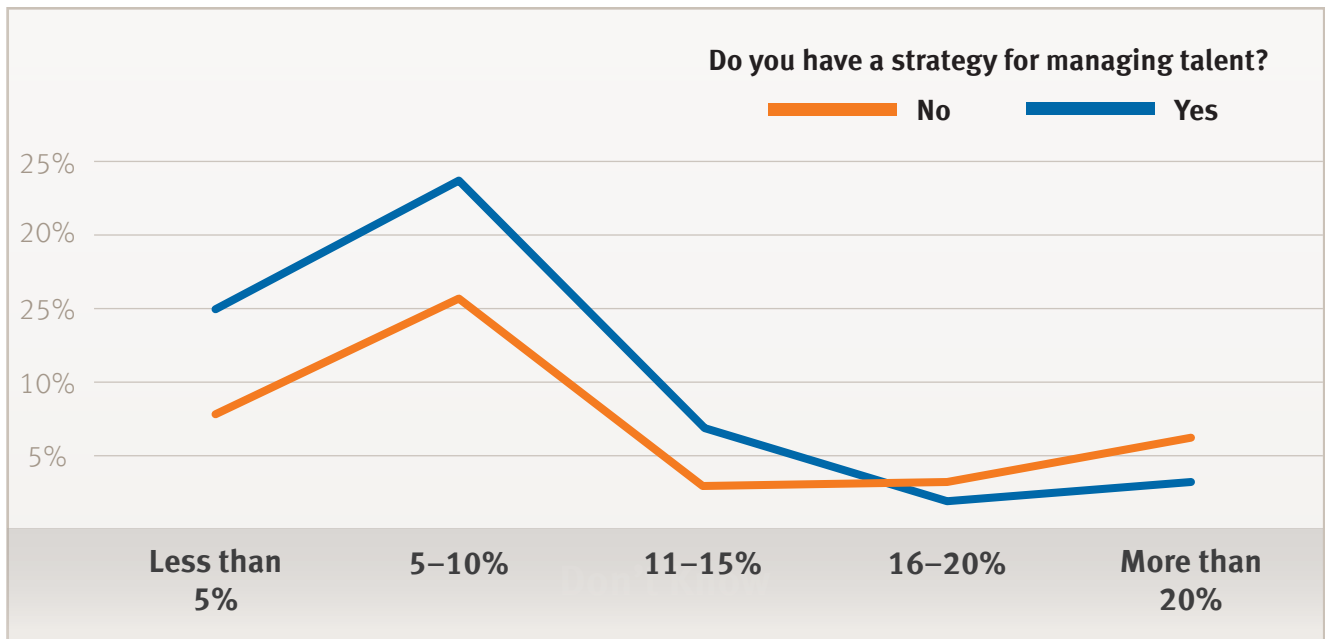
However, when considered against those who have a talent management strategy in place it can be seen from the table below that overall they are more confident of growth. **The exception to this, are those forecasting more than a 20% growth.**

Expected growth over two years	Do you have a strategy for managing talent?			Total
	Don't Know	No	Yes	
Less than 5%	0.5%	8%	15%	24%
5-10%	4%	16%	24%	43%
11-15%	0%	3%	7%	10%
16-20%	2%	3%	2%	7%
More than 20%	0%	6%	3%	9%
Don't Know	0%	3%	4%	7%
Total	6%	39%	55%	100%

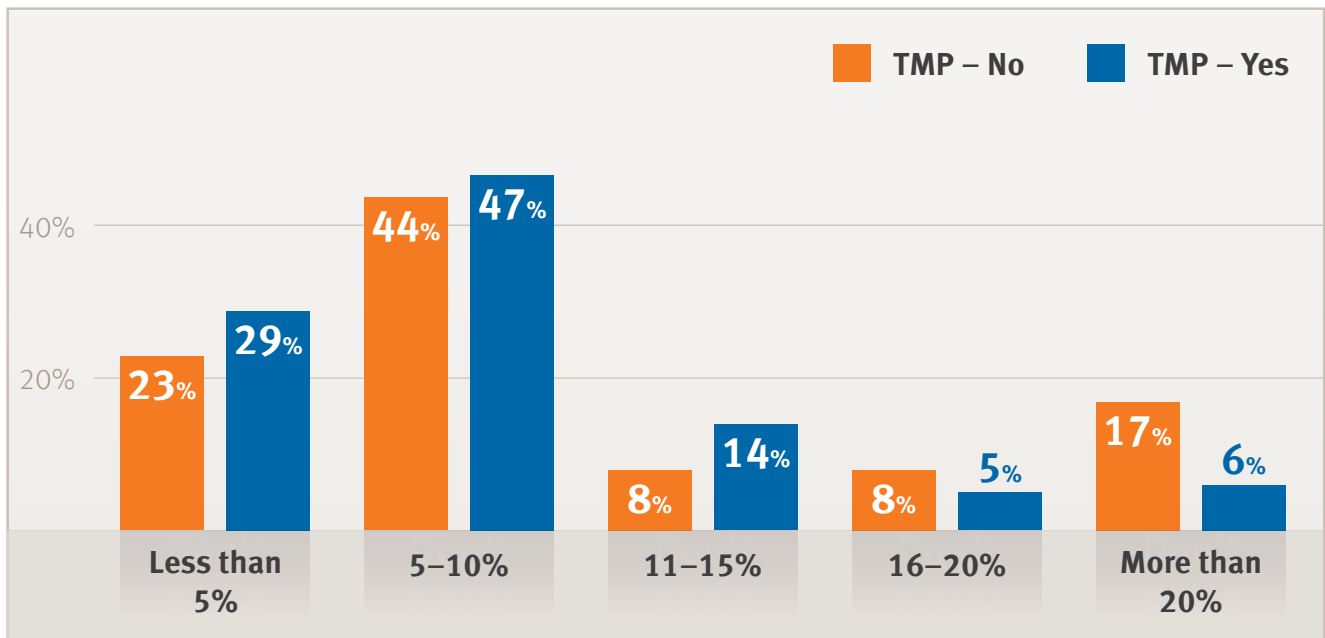
Further consideration of the figures does however show that all these non-TMP companies have been trading for more than 10 years and the majority employing more than 250 people. This in itself could account for greater corporate confidence based on track record and other established development structures within a large employer.

The levels of confidence can be clearly seen in the chart on the following page, with those who indicated they have a structured approach to managing talent being more confident of growth between 1-15%.

Expected growth in relation to a talent management strategy



When we consider this against the levels of confidence within those with a TMP and those without, again those with between 3% and 6% are more positive of achieving growth of between 5 and 15%. This drops off at expected growth rates above this with those predicting growth of more than 20% significantly more confident (11%) if they do not have a TMP in place.



Conclusions

The findings of Kaplan's survey provide some insights into the role of formal talent management in organisations and their people.

Retention

The most common reason for investing in a formalised Talent Management Programme (TMP) is to retain the existing skills and talent within the organisation, with 83% of respondents who have one in place stating “...if we don't do it we lose our best people...”

Irrespective of whether there was a TMP in place the majority of respondents reported issues with the loss of junior manager roles, most leaving for progression opportunities. This is in line with expectations, with this group most likely to be at a career stage in which they are looking to progress in terms of pay and responsibility. However, those companies that have a TMP in place report they are 18% less likely to lose staff at this level than those that don't.

A Culture of Development: Talent as a Business Asset

Aside from retention, the second most common reason (79%) for having a TMP in place was “developing our people is key to our organisation's ethos” with organisations reporting the following strategies in place:

- ▶ Career progression opportunities
- ▶ Structured support for career progression
- ▶ Linking performance to clear objectives
- ▶ Culture
- ▶ Bonuses and incentives
- ▶ Managing 'flight risk'
- ▶ Engagement

Formal Talent Management Programmes are only part of the picture, with 44% of respondents stating that they do not have one in place, but with 94% of respondents stating they offer their staff formal training. This leaves 6% who do not invest in training, for those that have a formal TMP in place this is not a major issue as development is encompassed within the strategy, the concern is for those who do not have a TMP in place or offer any training, suggesting a small but significant skills gap.

The most common reason given for not providing training is that of being either too innovative or too specialised to access the existing provision. However, when considering the types of training most commonly requested by staff (general development, peer-to-peer training and internally delivered coaching and mentoring) companies are missing some of the opportunities for their staff or failing to recognise their own efforts and potentially risking the overall retention of their team.

Business Growth

The global economy is showing early – if fragile – signs of recovery and the UK economy is following this trend. One of the key issues in ensuring this continues, are the skills within the UK workforce and the management and development of talent. The third most popular reason (72%) for having a TMP in place is “...business growth – we need new leaders to grow our business ...”

From the findings of the survey, companies that invest in Talent Management Programmes (TMP) are:

- ▶ Generally more confident of growth between five and fifteen percent in their business in the next two years than those that don't
- ▶ Feel they have the skills in place to meet the demands of economic improvement

However, when looking at high growth of 20% or more companies that do not have a TMP in place are, conversely, more likely to be confident. This is likely to be due to a combination of factors including, size, age and sector. However, there is not an insignificant link between the estimated growth at up to 15% and the investment in a formalised TMP, reinforcing the link between employers' views of the need for new leaders and skills to grow their business.

A Coherent Approach

While acknowledging that Talent Management is not the only answer to developing the skills and abilities in an organisation (in fact 44% do not invest in this), there is an argument for the benefits of the cohesive approach it brings.

Respondents with a TMP in place report that it allows them to recognise and formalise the most effective retentions strategies:

- ▶ Flexibility
- ▶ Involvement
- ▶ Progression
- ▶ Benefits and rewards
- ▶ Targeted Development

The approach also provides a strategy to mitigate against missing skills – 6% of respondents do not have any form of skills development in place with 8% uncertain that they have the skills in their workforce.

In addition, it also provides a formal framework in which the apparently unrecognised on-the-job and other training provided by innovative and specialised organisations can be recognised, consequently aiding talent retention through recognition.

Appendix One: Respondents

Details of employers who responded to the survey

There were a total of 256 responses to the survey, from a wide range of sectors, which when we exclude the 'other' the most frequently occurring is 'Finance and Insurance' with 19% of responses, followed by 'Manufacturing' at 13%.

Sector	Response %
Finance and insurance	19%
Manufacturing	13%
Professional, scientific and technical	11%
Education	5%
Human health and social work	5%
Other service	4%
Transport and storage	4%
Public administration and defence	3%
Retail i.e. FMCG	3%
Wholesale and retail trade	3%
Construction	2%
Information and communication	2%
Real estate activities	2%
Accommodation and food service	1%
Administrative and support service	1%
Electricity, Gas, Steam and air conditioning	1%
Mining and quarrying	1%
Other	22%

The bulk of respondents were in senior financial positions (Manager, Controller or Director), accounting for 48% of the responses, with a further 19% involved in a role involving managing human resources (Learning & development, Training or Human resources manager).

Job Role	%
Finance Manager	24%
Financial Controller	14%
Financial Director	9%
Learning & Development Manager	8%
Training Manager	7%
Human Resources Manager	4%
Managing Director	4%
Finance Officer	4%
CEO	2%
Human Resources Director	2%
Other	22%

The majority of respondents (48%) were SMEs employing less than 250 people, which is to be expected given the majority of UK employment is from firms of this size. There is also a significant representation of 1,000+ large corporates (28%). The bulk (85%) of respondents have been trading for more than 10 years.

Size	Less than a year (start-up)	1–2 years	2–3 years	3–5 years	5–10 years	10+ years	I don't know	Grand Total
0–10	0.4%	0.8%		0.8%	1.6%	4.4%		7.9%
11–49			0.4%	0.4%	1.2%	12.7%		14.7%
50–249				0.8%	3.6%	21.0%		25.4%
250–499	0.4%				0.8%	11.5%	0.4%	13.1%
500–1000					0.4%	10.3%		10.7%
1000+			0.4%		1.2%	25.0%	1.2%	27.8%
Don't know						0.4%		0.4%
Grand Total	0.8%	0.8%	0.8%	2.0%	8.7%	85.3%	1.6%	100.0%

211 (84%) of respondents stated that they anticipated growth in their business over the next two years, with the majority of these (43%) expecting this to be between five and ten percent.

Expected growth over two years	Total
Less than 5%	24%
5–10%	43%
11–15%	10%
16–20%	7%
More than 20%	9%
Don't Know	7%
Total	100%