



The ROI of Talent Management



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Breaking Down Talent Management's Effect on Company Performance

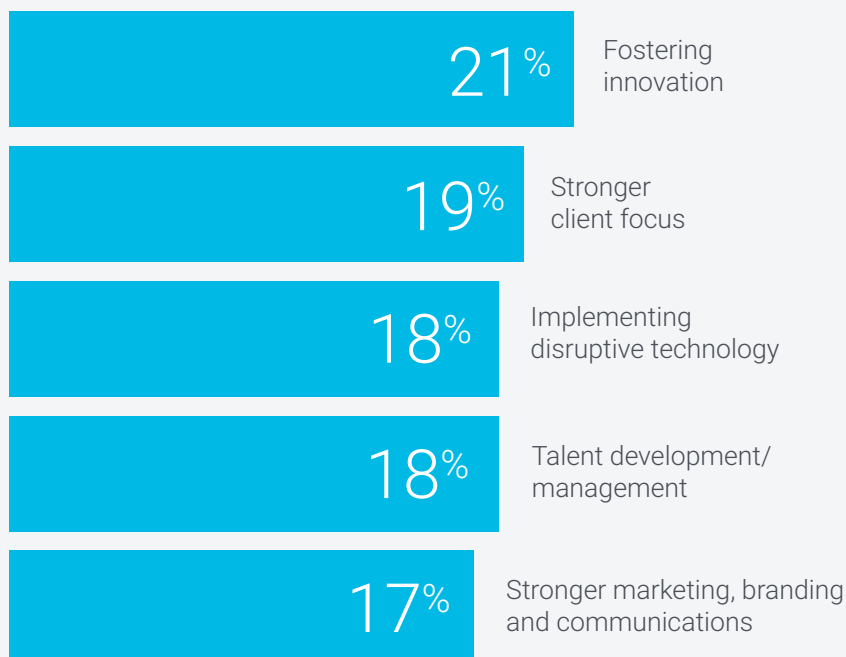
Over the past decade, talent management initiatives have become a critical priority for organizations. In 2016, KPMG found that 99 percent of CEOs reported they've taken action to develop existing or future talent.¹ The same study also found that nearly half of CEOs expected their companies to be transformed into a significantly different entity within the next three years.² This is because since 2000, 52% of companies in the Fortune 500 have gone bankrupt, been acquired, or ceased to exist.³ To remain competitive in our disruptive, digital age, this type of business transformation has become necessary. Achieving these huge business transformation feats is not for the faint of heart and requires robust organizational change and talent management.



While CEOs see the business value of talent management—typically talent acquisition, learning, performance, talent mobility, compensation, and analytics—some organizations have found it challenging to quantify the business impact or return on such investments. If you are looking for help in building a talent management business case, this overview was created for you.

Explore the following pages, and use the research to help you measure the impact that a unified talent management offering will have for your organization. We look forward to helping your people realize their potential so that your organization can thrive.

Top 5 Strategic Priorities over the next 3 years



Source: 2016 Global CEO Outlook, KPMG International

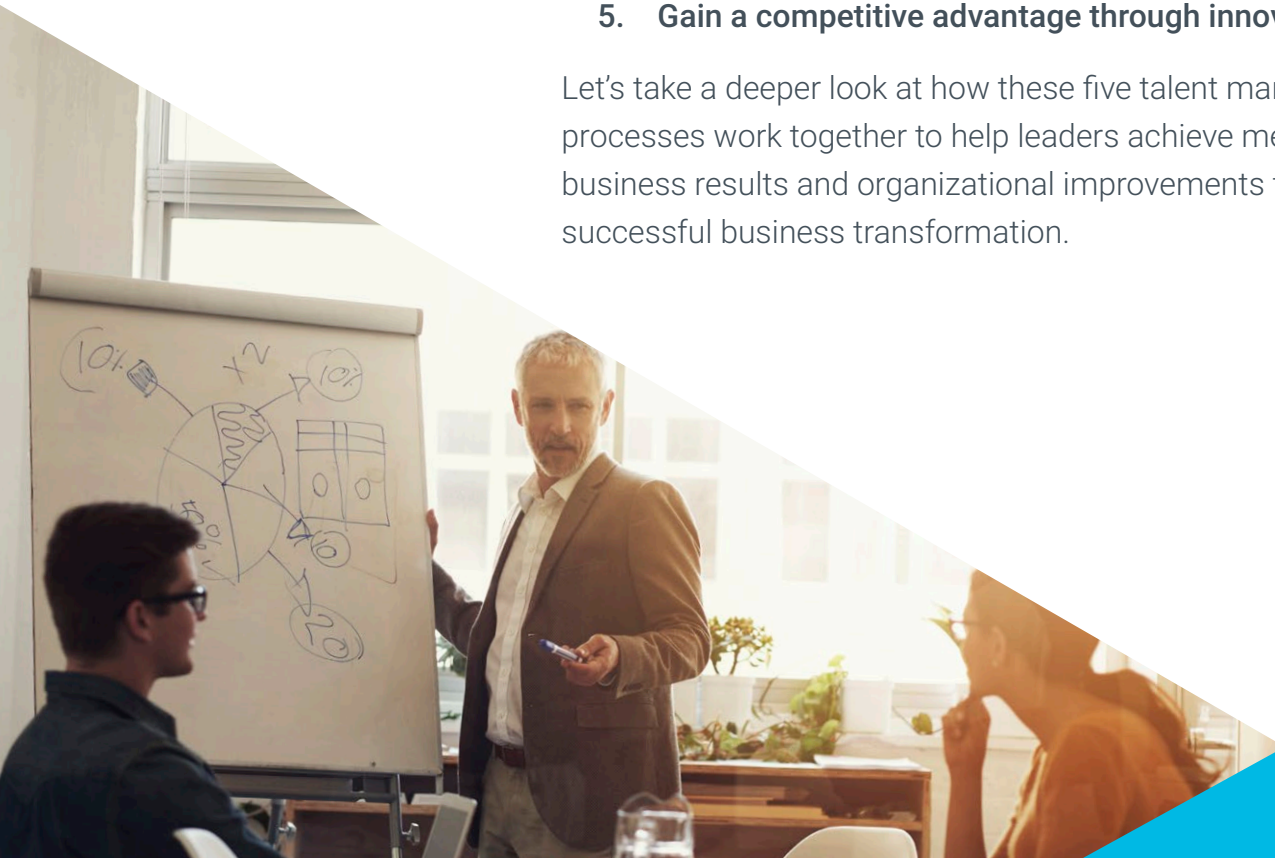
Tangible Bottom Line Growth

Focusing on talent management leads to a workforce that is more engaged, skilled, and productive—all traits that lead to tangible bottom line growth. Organizations that manage the entire employee lifecycle with a unified talent management system—products which organically share the same data model, user experience, technology platform, and analytics tools—see the best results. This is because these systems offer one secure sign-in, one support team, and one real-time database sharing data across all products.

Unified talent management solutions help HR, business managers, and executives pave the way for effective business transformation by enabling them to quickly identify, develop, and prepare top talent - plus their organization - for the future. Across the entire employee lifecycle, unified talent management systems enable organizations to:

- 1. Attract and retain top talent**
- 2. Drive business productivity and collaboration**
- 3. Increase profitability and customer retention**
- 4. Foster organizational growth and efficiency**
- 5. Gain a competitive advantage through innovation**

Let's take a deeper look at how these five talent management processes work together to help leaders achieve measurable business results and organizational improvements that enable successful business transformation.



Talent Pipelines: How Attracting & Retaining Top Talent Strengthens Competitive Advantage

Unfilled job vacancies are financial dead weight: they cost companies \$160 billion every year, and the top 10 companies on the Dow Jones lose \$75 million each month.⁴ Compounding this problem are the costs of hiring the wrong person, which can total more than \$50,000 per employee.⁵

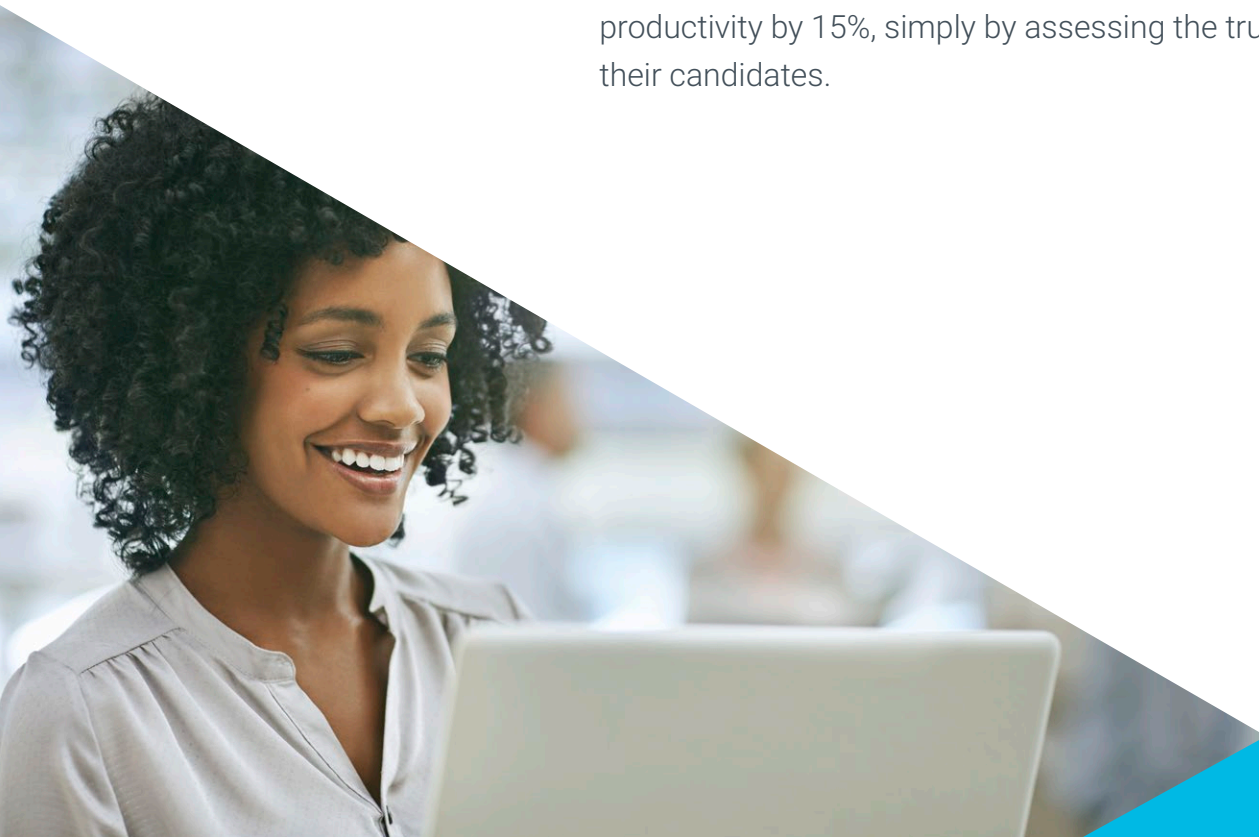
Leveraging the power of innovative recruiting tools helps organizations quickly find, engage, and prioritize high-quality candidates and create healthy talent pipelines. Over time, using a powerful talent acquisition platform that is part of a unified talent management system is more effective than using a separate recruiting tool. With a unified system, you can identify your best sources of hire based on your high performers, shorten your new hires' time to productivity, and improve new employee retention by quickly engaging them with colleagues so that they feel part of your culture from day one.



Unfilled job vacancies cost companies \$160 billion every year.

In addition, next-gen recruiting solutions enable hiring teams to:

- **Cast a wider net** – Social sourcing tools allow organizations to reach a broader pool of top talent. Organizations with an active hiring pipeline - using sourcing and candidate relationship management tools - are more than twice as likely to deliver a compelling candidate experience and hire candidates who are above par.⁶ Employee referral programs also improve the quality of candidates and reduce sourcing costs by encouraging employees to easily share open positions across their networks. One Cornerstone client was able to reduce their use of external recruiters, saving nearly \$2 million in fees annually, by using its external sourcing capabilities.
- **Attract the right talent** – Organizations can present themselves in the best light using branded career sites that show their culture and values. Companies that invest in employer branding are three times more likely to make better hires.⁷
- **Assess Candidates** – By scoring candidates using pre-screening questions, recruiters can focus on the highest quality candidates and shorten their recruiting process. Seventy-eight percent of companies that invest in pre-hire assessments stated that employees meet or exceed performance goals, and 83% found that organizational objectives were achieved.⁸ In fact, one Cornerstone client lowered attrition by 25%, and increased productivity by 15%, simply by assessing the true suitability of their candidates.



- **Create talent pools** – Recruiters can set aside skilled applicants in talent pools and reach out to them when the time is right. Candidate talent pool development is the 2nd most influential driver of talent acquisition performance, after hiring manager-recruiter relationships.⁹
- **Give a great candidate experience** – Organizations that invest in a strong candidate experience improve their quality of hires by 70%.¹⁰ In a market where candidates have options, it is imperative to give candidates the red carpet treatment. Everything from an optimized career site to a smooth application process positively impacts the candidate experience.
- **Onboard your new hires** – Ensuring your new employees get started on the right foot is critical. Organizations that use an onboarding solution saw quality of hire improve by 63%.¹¹

Next-gen recruiting software will give you the right tools to quickly build talent pipelines of top candidates. From social sourcing tools to talent pools, candidate scoring, and new hire orientation, your organization will be equipped to efficiently manage the recruiting and onboarding process, all while reducing costs.



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Ladders and Lattices: Why Embracing Talent Mobility Leads to Stronger Productivity & Collaboration

Organizations practicing talent mobility see 81% higher revenue growth compared to ones that don't.¹² Talent mobility is perhaps the best-kept secret in performance management: blending employee aspirations with the needs of an organization reduces recruiting costs, increases engagement and productivity, empowers employees to take an active role in their career, and boosts the organization's ability to respond to market demands.

Talent management tools and initiatives foster a culture of mobility by:

- **Increasing visibility into employee goals and aspirations** – Does a sales manager want to climb the ladder and become the sales director? Does an IT pro actually want to leave the infrastructure world and move to the marketing team? Frequent, goal-focused performance reviews (not just year-end evaluations), along with employee profiles, help stakeholders identify the true needs and desires of workers. Seventy percent of companies that create a culture of ongoing performance feedback see a revenue increase.¹³



- **Aligning those goals with the company's needs** – Once you have uncovered the aspirations of your people, the next step is to reconcile them with the organization's vision and goals. Identify your critical roles and build talent pools of high-potential people who can be developed to step into those roles. A Cornerstone client was able to increase the number of internal hires 25% by implementing automated succession planning. Hiring talent from within not only reduces costs associated to recruiting, but can actually result in higher performing employees. Sixty percent of employers said workers who were promoted into jobs performed significantly better than employees hired externally into similar positions.¹⁴
- **Assigning relevant training opportunities** – Regardless of whether an employee wants to move up the career ladder, make a lateral move, or find a new career, s/he will need to learn the skills and competencies needed to succeed in their new role. A unified talent management tool can help managers assign relevant learning courses, monitor an employee's progress towards completion, and even link training and development opportunities to employee performance, goals, and succession plans.

Organizations with a strong learning culture are:¹⁵

- 92% more likely to develop novel products and processes
- 52% more productive
- 56% more likely to be first to market with their products and services
- 17% more profitable than their peers

Embracing and fostering a culture of talent mobility has clear benefits. Overall, talent management tools deliver an engaged, productive workforce, and also a strong ROI, provided organizations know how to measure the benefits to their workers and the financial improvements to their bottom line.

Other benefits to consider include:

- Recruiting software helps reduce costly vacancies more quickly and attracts stronger talent.
- Performance and learning tools manage employee growth, identify their aspirations, and help deliver a mobile, flexible workforce whose passion can respond to company goals.
- Advanced people analytics provide data-driven insights that help optimize talent management strategies and programs. Organizations that leveraged analytics saw a 93% increase in KPIs, 84% increase in employee performance, and 74% increase in revenue of 1% or more.¹⁶
- Succession planning solutions enable organizations to retain top talent while reducing costs associated to recruiting. Organizations with succession planning tools in place were 64% more likely to cite employee turnover numbers below industry averages.¹⁷



Dollars & Sense: Talent Management's Impact on Profitability & Customer Retention

Research by Access Development reported that 79% of customers would take their business to a competitor within a week of experiencing poor customer service,²⁰ while the estimated cost of customers switching their choice of businesses due to poor service is \$1.6 trillion.²¹ Eighty-three percent of consumers who switched providers say if companies could provide better live or in-person support, it would have impacted their decision to switch providers.²²

Every member of every organization's workforce is guided by one question: "How is what I'm doing making a difference?" With the business impact of employees executing against goals so huge, HR needs to focus talent management initiatives on helping employees answer this burning question and aligning talent to business goals. Employee skills development and engagement are two key factors in ensuring that your organization is able to deliver the top notch experiences that your customers expect.

88% of CEOs say that customer loyalty is a top concern¹⁸

72% of CEOs say that availability of key skills is a top threat to their growth prospects¹⁹

According to PwC, CEOs are most likely to change talent strategies to make the greatest impact on attracting, retaining, and engaging the people they need to remain relevant and competitive (see chart below).

Best-in-class companies need innovative solutions to engage employees and facilitate their growth. In a Hackett Group study, companies that invest in workforce development software saw a 15 percent increase in earnings.²³

Talent management solutions – especially learning management, collaboration, and performance Management products that together skill up, align, and engage employees—can also help improve customer loyalty—a critical means to the long-term profitability of your organization. Customer retention rates are 18 percent higher, on average, when employees are highly engaged.²⁴

Engaged employees create superior customer experiences, and these great experiences foster loyal customers who come back more often, stay longer, spend more, and recommend others to the brand. Studies have shown that employee engagement correlates to increases in customer service, sales, customer loyalty, and profits. With the cost of low employee engagement totaling \$450 - \$550 billion a year, it is critical to improve this critical engagement metric.²⁵ In fact, companies that increase employee engagement investments by 10% can see an increase in company profits by \$2400 per employee per year.²⁶

Reasons CEOs change talent strategies

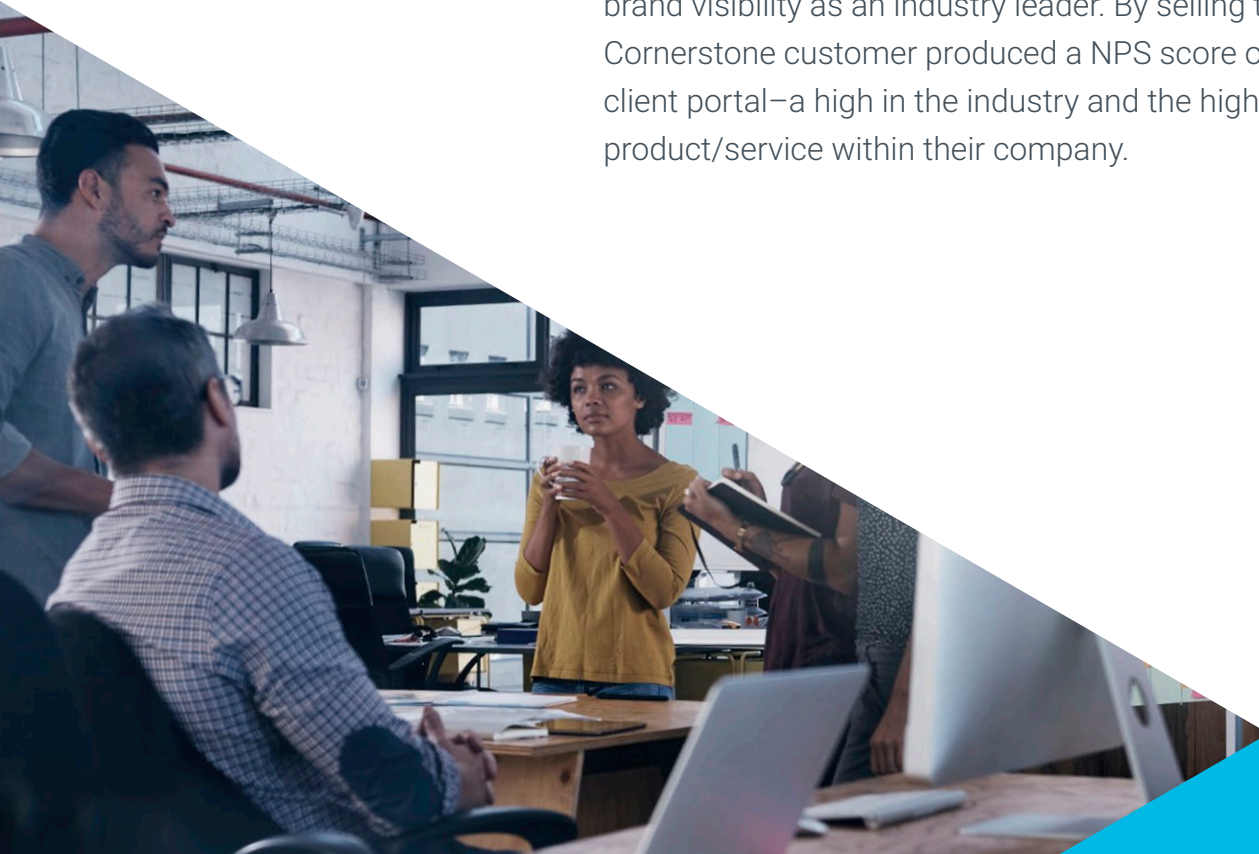


Companies with high employee engagement typically experience:²⁷

- 10% increase in customer ratings
- 21% increase in profitability
- 20% increase in sales production
- 41% less absenteeism
- 24% less turnover (high-turnover organizations)
- 59% less turnover (low-turnover organizations)
- 70% less in safety incidents

And the benefits don't stop with employees. To remain competitive today, organizations need to find ways to leverage their extended network of partners, suppliers, distributors, and customers to increase revenue and mindshare. By expanding their culture of talent management and continuous learning to their extended enterprise, organizations:

- **Monetize firm knowledge by selling training** – Robust learning management technology helps organizations generate revenue by selling training content to consumers interested in expanding their knowledge or acquiring new certifications to propel their careers. These organizations also contribute to expanding the broader talent pool within their industry and experience greater brand visibility as an industry leader. By selling training, one Cornerstone customer produced a NPS score of 74 for their client portal—a high in the industry and the highest NPS for any product/service within their company.



- **Enable both channels and customers** – Providing critical training to channel partners, retail outlets, and franchises enables organizations to sell more effectively. For customers, similar training accelerates time to productivity and facilitates a more connected, meaningful product experience. More empowered customers are also more likely to buy more and renew, while also costing less to support. A Cornerstone customer was able to retain 77% of their subscription renewals—up 12% from the previous year - by giving their customers quality content.

If your employees and extended network are well-trained, empowered, and engaged, your organization is better-positioned to grow and be more profitable. The relationship is simple: investing in talent management tools that train your people and align them to your organization’s goals is an investment that inspires them to become more engaged, give more discretionary effort, and innovate—all ultimately driving your organization’s growth and profitability.



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Innovating for Tomorrow: Gain a Competitive Advantage Through Innovation

As you think about recent disruptive technologies that have shaken industries, from transportation to music, you can't help but wonder what the future holds. CEOs report that nurturing innovation is a top strategic priority.²⁸ Inspiring innovation and enabling change agents isn't easy. In the last few years, companies have begun seeing the value of collaborative workplaces in promoting innovation, creativity, agility, on-the-spot decision-making, and productivity.²⁹ While collaborative workspaces are associated with start-ups, large enterprises are also incorporating collaboration into their processes.

Workplace collaboration improves employees' ability to work with diverse teams to negotiate and manage conflicts. When you combine collaboration with learning, groups of learners tend to learn more from each other through sharing and social interaction, while building deeper relationships. As these learners come together and apply their deep learning to their everyday projects, your organization can capitalize on their different skills, knowledge, and experiences to solve problems faster and achieve stronger results. In Asia Pacific, organizations are creating innovation pods where cross-functional teams are 'released' from their 'day jobs' to build new products or ways of working.³⁰



Along with CEOs, CIOs are taking note of the benefits of collaborative learning. Leading IT departments are adopting a “digital innovation collaboration strategy” that enables teams to work and learn together to develop innovative products and services.³¹ Bringing employees together—whether in pods or virtual learning cohorts—creates an environment that spurs innovation, leading to company growth. A study by Bain & Co found that top innovators would see an 84% growth over 5 years, compared with 28% for lower performers, a threefold difference.³²

With social collaboration software, global companies can also bring employees in different offices and time zones together to create a collaborative workforce that “increases their rate of innovation, differentiates themselves in the marketplace, and achieves cost and efficiency savings.”³³ Gensler’s 2016 U.S. Workplace Survey found that “virtual collaboration has more than doubled over the past three years”.³⁴ This trend will continue to increase as organizations experience how a culture of collaboration impacts their growth by enabling employees in and outside the office to learn together, attend meetings, participate in discussions, and contribute their best talents.

Harvard Professor of Business and Economics Mark Esposito found that “collaborative innovation is the engine of modern, agile organizations capable of creating...radical new ideas while testing the limits of markets. *A true best friend for growth.*”³⁵ The relationship between collaboration and innovation is undeniable. As organizations look for growth opportunities, fostering a culture of collaborative learning as a competitive advantage is now a “must-do” to unlock their workforce’s potential to innovate.



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Out With the Old, In With the New: Foster Organizational Growth & Efficiency

Organizations need talent strategies and technologies to gain and maintain a competitive edge. Many companies today have multiple systems to manage their workforce and are looking to replace their current software. Brandon Hall Group found that poor integrations with other technology are why 54% of companies say they want to change their talent management system.³⁶

The problem with disparate systems is that they have to be integrated to share data between them. This process is costly, time intensive, and often results in a mismatch of different user experiences and data models, making it difficult to get a complete picture. These incompatibilities also make them difficult to use, require additional training, and are laden with disjointed releases or upgrade paths that often break the integrations – leading to errors, inefficiency, and potential downtime.



Another option is selecting a unified human capital management solution that provides talent management solutions along with HR data processing, all sharing the same data and security model. Organizations using a unified solution with best-of-breed talent management experience the highest ROI. This is because the complex, intertwined processes across the employee lifecycle seamlessly build on one another, ensuring that organizations get a complete picture of their people and can quickly hire, review, develop, and align talent to business goals. One Cornerstone client with just 3,000 employees realized roughly \$21 million in cost savings and a 27% reduction in user support requests by automating their talent management processes.

With either approach, your C-Suite is likely looking for solutions that quickly improve business results. By selecting a provider that gives you the flexibility to quickly deploy the solutions based on your organization's top priorities, you will be able to best achieve that goal.

Also, create a list of "must have" items to ensure your organization gets the benefits you are seeking when rolling out a new system. Think about the following:

- identify business and workforce pain points
- decide which tools can solve them
- prioritize the benefits and functionality that are truly important to your organization
- shop for a vendor (which also means knowing what questions to ask)



A Cornerstone client was able to consolidate 16 different systems into one and achieve a savings of 15 - 20%.

Of organizations that have deployed talent management technology, 42% say that one of their top regrets was not more closely evaluating their talent strategy to develop system requirements.³⁷ To avoid this outcome, ensure that you have a talent management strategy that reflects your business needs and goals.

In conclusion, while implementing a new talent management solution requires due time and effort, the results that organizations achieve have been proven time and time again.

Ready to learn how a unified talent management system can drive your growth? Click below!

csod.com

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