

US employers plan to reshape talent programs as the economy shifts toward growth



Top survey findings

A new survey conducted by Mercer with *Talent Management* magazine reveals that:

- The majority of US employers plan changes to their leadership training, workforce training, employee engagement, recruiting, retention, rewards, performance management, career and mobility programs following the economic downturn.
- Organizations expect strong increases in competition for key talent.
- Leadership tops the list of talent management priorities over the next three to five years.
- Despite the need to change, organizations lack confidence in their ability to measure talent management decisions and investments.

Anticipating a greater emphasis on talent management and increasing competition for key talent, US employers are planning to reshape their talent programs as the economy shifts out of the recessionary period, according to the new Future of Talent Management Survey from Mercer.

The survey, conducted with *Talent Management* magazine in May, received responses from more than 400 organizations nationwide. (The survey was also conducted among nearly 300 organizations in Europe and the Middle East/Africa; results for those regions are also available.)

Shifting gears as the economy shifts

More than half of the employers surveyed indicated that their organizations have emerged from the recession and are back in growth mode (15%) or are emerging from the recession and preparing for growth (37%); another 22% said they were never out of growth mode, as their organizations were not significantly affected by the economic downturn. A quarter (25%) said they are still in recession mode.

Most respondents are planning to make changes to their talent programs in response to the downturn, although they are at different stages in terms of identifying and implementing these changes. The top changes planned include leadership training (88%), workforce training (86%), employee engagement (85%), recruiting (80%), retention (79%), rewards (76%) and performance management (76%) programs. More than two-thirds (68%) are planning to make changes to their career programs and half (51%) are planning to make changes to mobility programs. (See Exhibit 1 on page 2.)

“The downturn forced organizations to make fairly dramatic changes to their workforces and talent programs. Now organizations are planning further changes, but the aim should not be to revert to what they had before the downturn,” said Jason Jeffay, a Partner in Mercer’s Human Capital business and Global Leader of talent management consulting. “It’s a different business environment now. We’re looking ahead to a period of positive but slower growth, which translates into different talent needs. Talent programs need to be reviewed and tailored to fit this new reality.”

Survey respondents expect talent management to grow in importance. Half (51%) rate it as a top priority at their organizations today, but 76% expect it to be a top priority within the next three to five years.

Exhibit 1: Planned changes to talent management programs

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

Note: Percentages for each row may not total 100 due to rounding.

Looking to the future

Survey respondents expect talent management to grow in importance. Half (51%) rate it as a top priority at their organizations today, but 76% expect it to be a top priority within the next three to five years. In addition, virtually all US respondents (97%) anticipate an increase in competition over the next three to five years for the key talent their organizations need to succeed; 39% expect some increase in competition, while far more – 58% – expect a significant increase in competition.

When asked to express their confidence in being able to address a range of 10 key talent challenges, respondents said they are most confident in their ability to link employee performance to business goals (45% are very confident and 43% are somewhat confident) and to understand the key roles and workforce segments that drive business success (40% are very confident and 46% are somewhat confident). Respondents are least confident in their ability to use quantitative analytics to make and measure talent investments (41% are not at all confident, 44% are somewhat confident and only 15% are very confident). (See Exhibit 2 on page 3.)



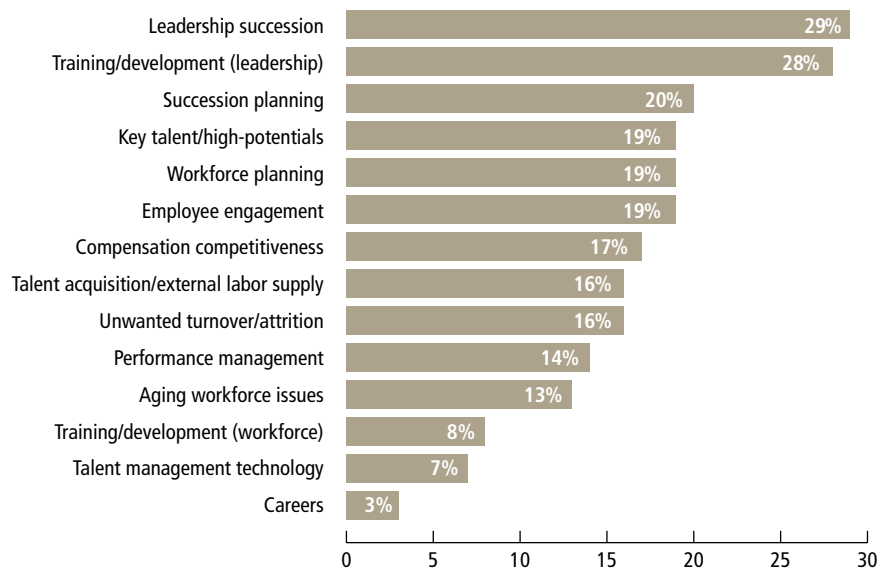
Exhibit 2: Confidence in addressing key talent management challenges

	Not confident	Somewhat confident	Very confident
Ensure an adequate pipeline of future leaders	18%	64%	19%
Retain leadership talent	18%	53%	29%
Retain high-potential employees and those with critical skills	21%	57%	22%
Manage leadership succession smoothly	26%	55%	19%
Understand the key roles and workforce segments that drive business success	14%	46%	40%
Link employee performance to business goals	13%	43%	45%
Understand and plan for shifting workforce demographics	24%	56%	20%
Use quantitative analytics to make and measure talent investments	41%	44%	15%
Ensure that career moves support business needs	12%	61%	26%
Ensure that career moves support individual development needs	17%	66%	17%

Note: Percentages for each row may not total 100 due to rounding.

Respondents were asked to identify their organizations' top three talent management priorities over the next three to five years. The top responses, from among 14 choices, were leadership succession, followed by leadership training/development, overall succession planning, key talent/high-potentials, workforce planning and employee engagement. (See Exhibit 3.)

Exhibit 3: Top talent management priorities over the next three to five years



Organizations now need to be more concerned than ever about actively managing the entire leadership development and succession process.

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

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

Respondents also weighed in on whether their current employee value propositions would attract the workforce needed to meet future business requirements. Most (72%) are somewhat confident in their current value propositions; but only 19% said they are very confident and 9% are not at all confident.

Measuring talent management decisions

Mercer’s Future of Talent Management Survey also explored the measurement of talent management decisions and investments. Only 5% of US respondents believe their organizations are very effective at measuring the impact of talent decisions and investments; more than half (54%) said their organizations are somewhat effective and 41% said their organizations are not at all effective with respect to measurement.

The survey revealed that respondents use a combination of qualitative and quantitative measurement methods for assessing talent management programs. However, there are some variations by program. US respondents are least likely to apply quantitative approaches to measuring their career, mobility and training/development programs, and most likely take more quantitative approaches with retention, rewards and employee engagement programs.

Lacking strong quantitative approaches, many organizations tend to focus on program execution (asking, “Is it done well?”) rather than on program outcomes/results (asking, “Does it have the desired result?”). Again, the focus varies by talent program. Reflecting responses to the previous question, respondents indicated that they focus most on program execution for their mobility, career and training/development programs. In contrast, they tend to focus more on outcomes/results for their employee engagement and retention programs. (See Exhibit 4 on page 5.)

Leading organizations have shown to be more effective at tailoring talent management practices to fit their own business models, then taking a more quantitative, fact-based measurement approach and steadily driving improvements year after year.

Exhibit 4: Focus on measuring program execution versus outcomes

	Focus more on measuring execution of the process	Focus more on measuring outcomes of the process
Recruiting/talent acquisition	49%	51%
Training and development	56%	44%
Careers	62%	38%
Employee engagement	40%	60%
Mobility	68%	32%
Performance management	50%	50%
Rewards	53%	47%
Retention	44%	56%

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



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About the survey

The Future of Talent Management Survey was conducted by Mercer in the US, from May 12 to May 26, 2010, with *Talent Management* magazine. Respondents were primarily HR and talent management leaders representing organizations ranging in size from small employers with fewer than 500 employees to major corporations with 10,000 or more employees. The survey included a broad cross section of industries, with durable manufacturing, for-profit services, health care, financial/banking, retail/wholesale and high-tech/telecommunications organizations representing the largest industry segments.

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- Human capital strategy
- Talent management
- Rewards
- Human capital operations and technology solutions

Talent management services and solutions include:

- Talent strategy and workforce planning – aligning talent with dynamic business needs
- Workforce capabilities – building or improving workforce capabilities to drive business performance
- Leadership – building or improving the pipeline of ready, capable leaders
- Performance management – accelerating workforce performance and productivity