

UTILISATION OF TALENT POOLS FOR EXTERNAL RECRUITMENT IN AUSTRALIA
RESULTS OF A TWO YEAR STUDY

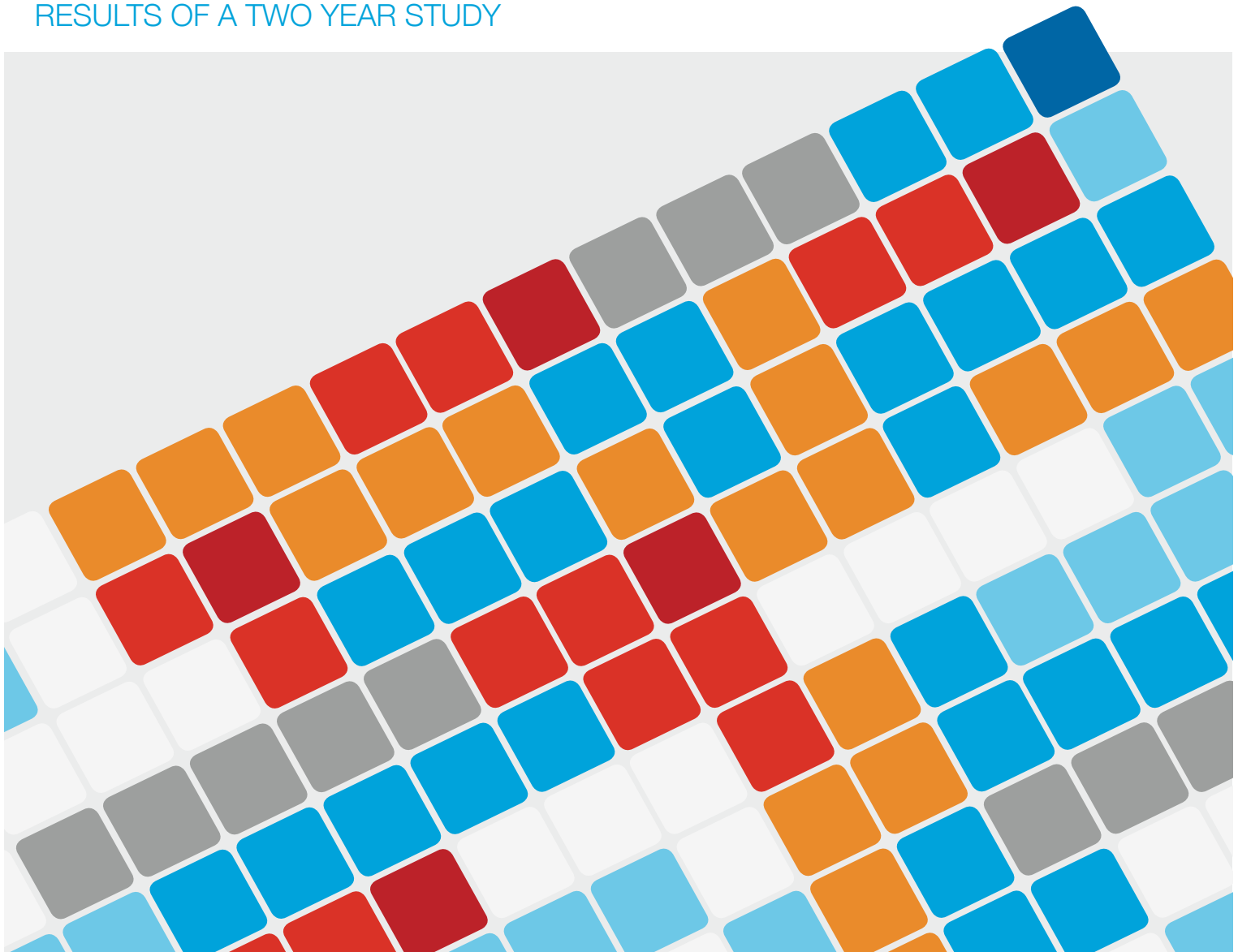


TABLE OF CONTENTS

Executive Summary	2
Introduction	5
Methodology	5
Section One: Australian Top 100 Employer Survey Results	7
1.0 - Overall Key Findings	7
Initial Implementation Trends	7
Recruitment Management System	7
No Talent Pool Adoption	8
Adoption of Talent Pool	9
Talent Pool Saturation by Employee Number and Industry Sector	10
Forecast Uptake	14
Key Drivers of Talent Pool Implementation	15
Conclusions	16
1.1 - Key Findings for Organisations with No Talent Pool Process	17
Implementation planning	17
Perceived hurdles for Talent Pool implementation	18
Conclusions	20
1.2 - Key Findings for Organisations with a Talent Pool Process	21
Effectiveness of use	21
Advertising	24
Integration with Human Resource Information Systems	25
Methods of Sourcing Potential Talent	25
Conclusions	26
1.3 - Benefits Reaped from Candidate Databases	27
Potential Savings	27
Importance to Business Objectives	28
Conclusions	29
Section Two: Australian Market Opinions	30
Section Three: Technology	31
Technology	31
Section Four: Conclusions and Future Direction	32
Present Day Conclusions	32
Future Direction	33
Efficiency of Process	33
Technology advancements	34
Financial Transparency	34
Competitive advantage	34
About PageUp	35
Bibliography and References	36
Appendix 1	37

EXECUTIVE SUMMARY

Talent pools and candidate database systems are becoming more prevalent in Australia today due to a number of reasons. These include continued pressure to reduce candidate cost per hire, reduce time to fill, and target leaders for the future. As a result recruitment teams are becoming more strategic, looking to longer term solutions to achieve this ongoing return on investment. Candidate databases for recruitment are one method to achieve these returns, and when a fully functional candidate relationship database is implemented with a supporting recruitment process, the reduction in sourcing costs can be around 25-50%.¹

A two year study of Australia's Top 100 companies by employee number was conducted to establish their approach to talent pool management for external recruitment purposes. In total, of the 75 companies that participated in the study 43% had a talent pool by the end of year two. Of those organisations without talent pools, one third of these companies recognised the importance of building a candidate database and were planning to implement technology to do so within the next 12 to 18 months. By the end of 2007 talent pool adoption is predicted to be 63%.

The main findings from the study were:

1. The most successful approach to talent pool adoption appeared to be one of phased implementation, with most companies starting with the introduction of a Recruitment Management System (RMS) to help manage the recruitment process.
2. Financial justification was perceived as the largest hurdle to implementation despite the apparent ROI benefits. This barrier is expected to diminish as more companies adopt talent pools and the financial benefits become more transparent.
3. There were clear differences between sectors with regards to talent pool uptake. This is expected to influence relative competitive advantage. Any companies that lag their peers may quickly find themselves at a disadvantage, especially given the skill shortage currently faced by the Australian market.

The main reasons behind establishing talent pools, or candidate databases, were:

1. to reduce recruitment time to fill
2. build a pool of rare skill types
3. minimise advertising costs.

The main reasons why the remaining organisations were not planning to build a candidate database included:

1. It would be difficult to manage a talent pool in a decentralised model
2. Hiring is outsourced to recruitment agencies
3. Candidate data would become out of date too quickly
4. Currently not recruiting.

The first two of these reasons are not surprising considering that the majority of organisations with talent pools have a centralised in-house recruitment team who have implemented technology ensuring candidates provide the recruitment team with personal information updates.

47% of the Top 100 companies that participated in the study have implemented a RMS. Most organisations recognised the advantage of utilising their RMS as a starting point for talent pool management with 78% of those companies with talent pools purchasing a 3rd Party software system. In total 94% of organisations used an in house or third party technology solution to search for talent, whilst the remaining 6% used a manual process such as paper based or Microsoft Excel to store candidate data.

Organisations that planned to implement a candidate database or talent pool within the next 12 months felt that the biggest hurdles to implementation were the introduction of technology to replace existing manual processes and re-engineering current recruitment processes. Both of these hurdles were related to change management issues and managing the move from a traditional manual based process to a more proactive approach. A follow up survey one year later found that financial justification to senior management or the executive board had become the greatest perceived issue.

This is not surprising given the lack of hard data in the Australian market as to the benefits of talent pools. Over 30% of companies did not search their pool prior to advertising and the majority did not accurately measure the success of their talent pools. Additionally many organisations are still using their database primarily as a filing cabinet instead of a dynamic candidate relationship system. However, as companies adopt a more proactive approach and cost and time benefits become more tangible, barriers to adoption are expected to diminish.

Organisations which had implemented candidate databases and talent pools had managed to overcome these hurdles by phasing the implementation of online recruitment systems and talent pool processes. Resistance to implementing talent pool systems, remains, however, largely due to the reactive nature of some professionals in the industry. If organisations wait until labour shortages become apparent, they will find themselves behind the eight ball and struggling to find the correct talent. In the meantime those organisations that have been proactive in implementing talent pools will find that they know exactly where to find their staff and will be able to do this more cost effectively.

At an industry level the Financial and Consumer Staples sectors had the highest penetration of candidate database technology. This suggests that any peers that lag in the uptake of talent pool processes may find themselves at a competitive disadvantage. In contrast the Resources & Construction (Materials) and Industrials sectors, along with the Consumer Discretionary sectors exhibit poor uptake of talent pool processes. Clearly any peers who have already adopted these processes are at a competitive advantage; especially during a time of skill shortage such as that currently faced by the Australian market.

Australian organisations are very much in the infancy stage of building effective candidate databases and talent pools. The first step has been taken with the implementation of infrastructure to facilitate building a talent pool. The second step is ensuring that the processes and tools are in place to maintain and measure such systems. Organisations who have taken the steps to implement candidate database systems and started the process of building talent pools will find themselves ahead of the competition due to the fact that they are not only lowering sourcing costs but getting a “short list [of candidates] more quickly”.² Research in the US has indicated that although Data Mining of candidates can be complex it is essential to companies that see “recruiting as a strategic component of future growth”.² Those organisations that have not even started on the path of mining databases and talent pools will find themselves at a competitive disadvantage as their direct competitors recruit more effectively via maintaining cost effective relationships with key talent.

INTRODUCTION

Attracting and retaining talent is core to the success of any business. As recruitment budgets are slashed year on year it is becoming increasingly essential to look at strategic methods to ensure reduction in advertising costs whilst maintaining the quality and timeliness of hires. Many companies have engaged technological solutions such as Recruitment Management Systems to assist with recruitment. When taken to the next level and used efficiently as a proactive method to keep a pool of potential talent or candidates warm the reduction in sourcing costs can be around 25-50%.¹

Potential reduction in sourcing costs can be around 25-50%

This paper details results of a two year study exploring the utilisation of candidate databases in Australia. The focus of this study was directed at the Top 100 Australian companies by employee number. The purpose of this survey was to obtain an understanding of the proportion of Australian companies that proactively manage a candidate database or talent pool for external recruitment purposes. Although many companies proactively maintain an internal talent pool of high potential individuals which is used for succession planning or hard to fill positions the focus of this study was talent pool or candidate database management for external recruitment. The first part of this paper explores the results of those surveys. The second part of this paper looks at the market views on implementation and adoption of database systems. The third part summaries technology features. The final section of the paper touches on the conclusions that can be drawn from this study and future direction of talent pools.

Methodology

This report provides survey results of Australia's Top 100 companies by employee number. 85% of the Top 100 companies participated in this study. The surveys were conducted during May and June 2004, with follow up surveys performed in October through to December 2005.

85% of the Top 100 companies participated in this study

The questions and results within this survey focussed on candidate databases for external recruitment purposes. Two sets of questions were utilised. One set of questions was aimed at companies that already had technology or a manual process in place and were using talent pools and databases as part of their external recruitment process. The second set of questions was aimed at organisations that had not implemented a database for external recruitment to determine their plans for implementation in the next 12 months. Of those companies who initially lacked a talent pool a series of follow up questions were asked a year later to determine subsequent uptake.

For the purpose of this paper, the following terms have been defined.

Recruitment Management System (RMS)

A technology based solution that forms the basis of the recruitment process.

Candidate Database

A technological solution, which collects and stores candidate information. The prospective candidates are proactively managed by the company via ongoing contact.

Talent Pool

Encompasses candidate databases and manual processes for proactively managing candidate relationships.

SECTION ONE AUSTRALIAN TOP 100 EMPLOYER SURVEY RESULTS

1.0 OVERALL KEY FINDINGS

Of the initial survey 85% of companies responded. Just over a year later a follow up study was performed on those companies who did not have a talent pool at the time of the initial survey. Of the 62 companies contacted in the follow up, the participation rate was 84%. Thus over a two year period information was collected for 75% of companies. This section details the overall key findings for the respondents that participated in this survey. These findings include; the percentage of companies that have implemented RMS, the percentage of companies that are currently using candidate databases or talent pools, and the size of companies by employee number and industry sector that have these systems in place.

Initial Implementation Trends

Recruitment Management System

Of the Top 100 companies surveyed, at the time of the initial survey, 31% had implemented a RMS to assist in their candidate database process. The results of the second survey indicated RMS uptake had increased to 47%. This illustrates a firm step by organisations to implement technology that will ultimately facilitate a move to using candidate databases for recruitment. The graph below details the breakdown of RMS providers whose technology is currently utilised to support recruitment processes.

Recruitment Management of Systems Utilised

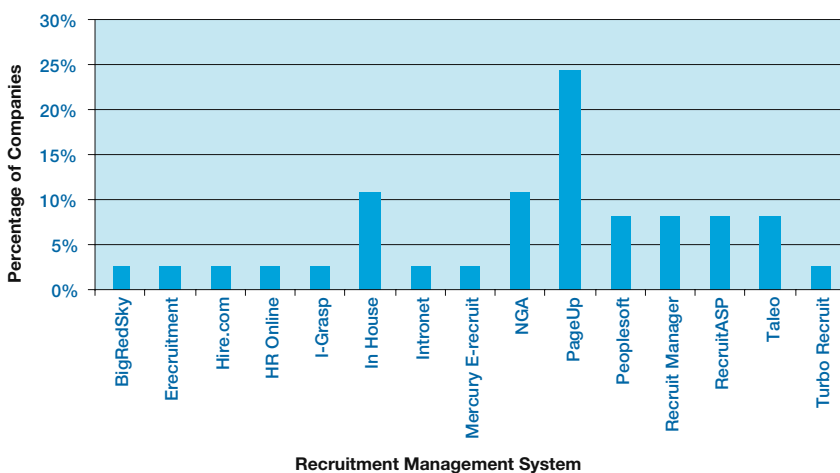


Figure 1. Specific Recruitment Management Systems utilised. Please note 1) two companies had two RMS, both have been included in the above graph. However, for the purposes of the rest of this report the company's responses have only been counted once. 2) Recruit Manager has subsequently pulled out of the Australian market but was present when the study was conducted.

No Talent Pool Adoption

Results from the initial surveys indicated that 73% of companies did not have a talent pool or candidate database. This can be further broken down into companies planning to build (18%), and companies not planning to build (55%), talent pools.

In 2004, 73% of companies did not have a talent pool

Talent Pool Status at Time of First Survey

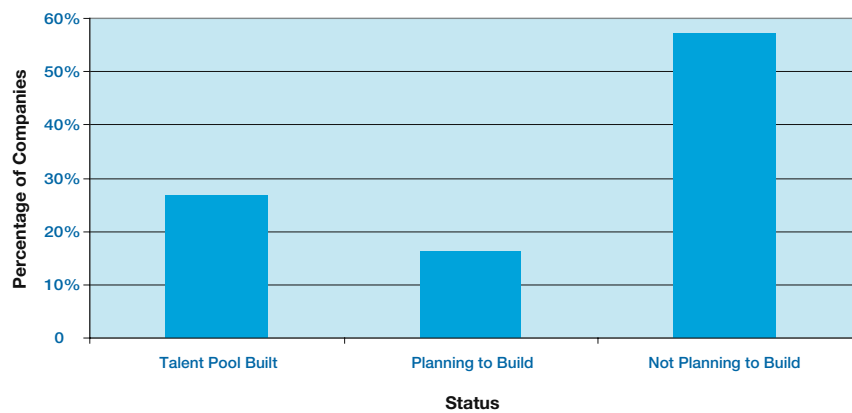


Figure 2. Talent pool status of the top 100 companies at the time of the first survey

The follow-up survey just over a year later indicated that 62% of companies who planned to implement a talent pool in the next 12 months had done so. Of those who had no plans at the time of the initial survey, 28% planned to implement a pool when re-surveyed one year on. The follow up survey revealed that of the 75% of companies that responded to both surveys 43% had a talent pool for external recruitment, 20% planned to build a database and 37% still had no plans to employ a talent pool process.

In 2005, 57% did not have a talent pool

Talent Pool Status at Time of Second Survey

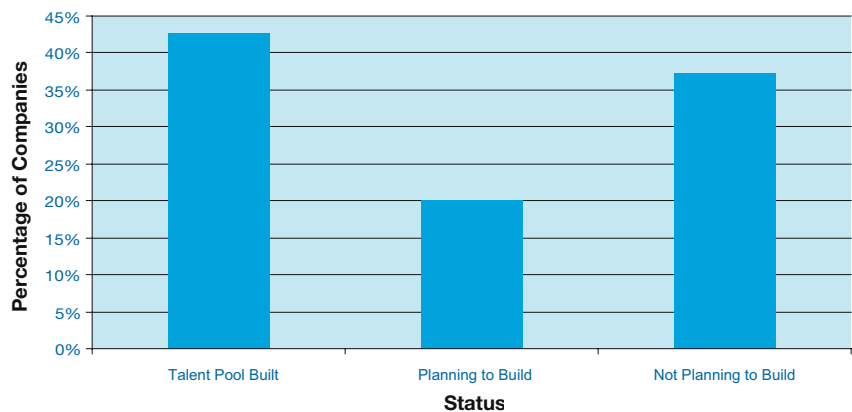


Figure 3. Talent pool status of the top 100 companies at the time of the second survey

Adoption of Talent Pool

The initial survey indicated that 27% of companies surveyed had implemented a system or process to allow for the creation of a talent pool or candidate database for external recruitment purposes. This had increased to 43% (off a smaller sample size) at the conclusion of the two year study.

Of the companies that had a candidate database, over three quarters utilise a RMS to facilitate the recruitment process. In total 94% of organisations used an in house or third party technology solution to search for talent, whilst the remainder had a manual talent pool process.

Of those companies using a technology solution 78% purchased a 3rd Party software system to facilitate their talent pool process, whilst the other 16% opted for building in house tools (see graph below). This illustrates that most organisations recognised the advantage of utilising their RMS as a starting point for talent pool management versus trying to build a system themselves. The remaining 6% used a manual process such as paper or Microsoft Excel to store candidate data.

78% purchased a 3rd party software system to facilitate their talent pool process

Type of Talent Pool

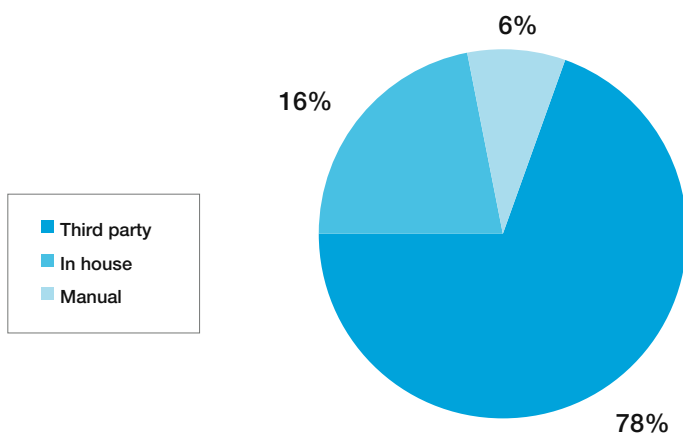


Figure 4. Third party utilisation of RMS systems

Talent Pool Saturation by Employee Number and Industry Sector

As illustrated below, the main adoption of talent pool processes are found in organisations with employee numbers from 1,001 to 5,000 and 20,001 to 50,000, with over a third of companies in each bracket using talent pools for external recruitment. Although there is total saturation in the segment for companies with over 100,000 employees, this segment only has two companies in it, representing only 2% of the market surveyed. In contrast the two segments with employee numbers between 5,001 to 10,000 and 10,001 to 20,000 had low uptake of talent pools. In addition relatively few companies planned to build candidate databases with 62% and 75% of companies, respectively, in each segment having no plans to build talent pools in the next year.

Main adoption 1,001 to 5,000 and 20,001 to 50,000...low uptake... between 5,001 to 10,000 and 10,001 to 20,000

Talent Pool Status by Employee Number

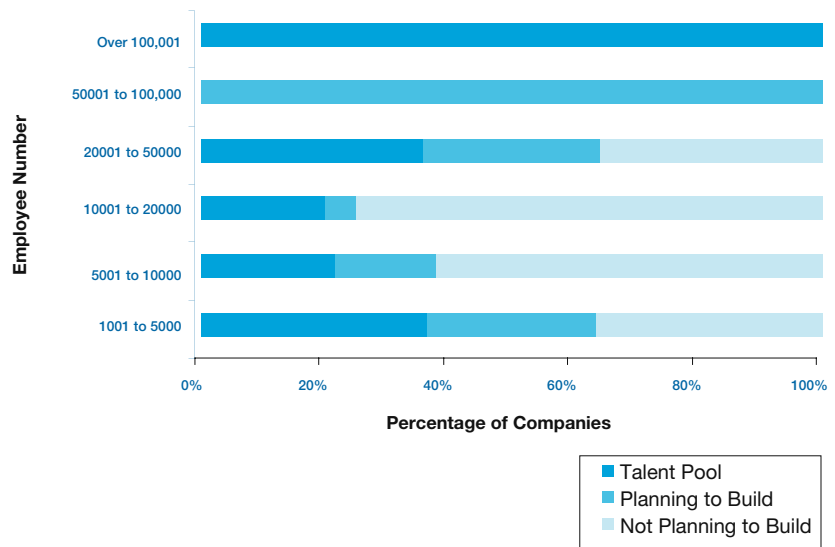


Figure 5. Talent pool saturation by number of employees

Segment	No. of Companies	% of Companies
1001 to 5000	11	13%
5001 to 10000	37	44%
10001 to 20000	20	24%
20001 to 50000	14	16%
500001 to 100000	1	1%
Over 100001	2	2%
Total	85	100%

Table 1. Company distribution by number of employees (segment)

On the surface these results appear to contradict a common market opinion, that talent pools are only used successfully in “large organisations” with high volume recruitment. If this was the case the proportional use of talent pools, and the percentage planning to adopt, would be expected to remain stable or increase as size of the organisation increased. Given the 5,001 to 10,000 and 10,001 to 20,000 groups have lower adoption and planning to adopt rates than the two flanking segments this is not the situation in reality. However, upon closer inspection it appears that adoption rates are more closely linked to industry sector than to the size of the organisation. This trend was especially dominant in the Resources & Construction (Materials) and Industrials sectors with 85% and 73% of companies respectively having no plan to build a candidate database. It was also evident in the Consumer Discretionary and Healthcare sectors as 69% and 50% of companies had no plans to build a talent pool respectively.

Specifically, in the 5,001 to 10,000 segment 56% of the companies with no intention of building a talent pool belonged to the Resources & Construction (Materials), Industrials or Healthcare sector. In the 10,001 to 20,000 segment 60% of the companies not planning to build fell in the Resources & Construction, Industrials or Healthcare sector. In total this equated to 70% of the Resources & Construction, 80% of the Industrial and 100% of the Healthcare companies not planning to build candidate databases. In contrast the Consumer Discretionary companies were spread across the segments.

Sectors dominated by lack of plans to build Talent Pool: Resources and Construction and Consumer Discretionary

The industries with the highest proportion of talent pools or plans to build candidate databases were the Financial and Consumer Staples sectors with 82% and 70% of surveyed companies respectively. Unlike the Resources & Construction (Materials), Industrials or Healthcare sectors the Financial and Consumer Staple companies were not predominately clustered within any organisational size segment. The follow up survey supported the original findings The Telecommunications sector also appears to have high talent pool uptake, however, there are only three companies in this sector.

Talent Pool Status by Sector

Financial & Consumer Staples Sectors leading the way

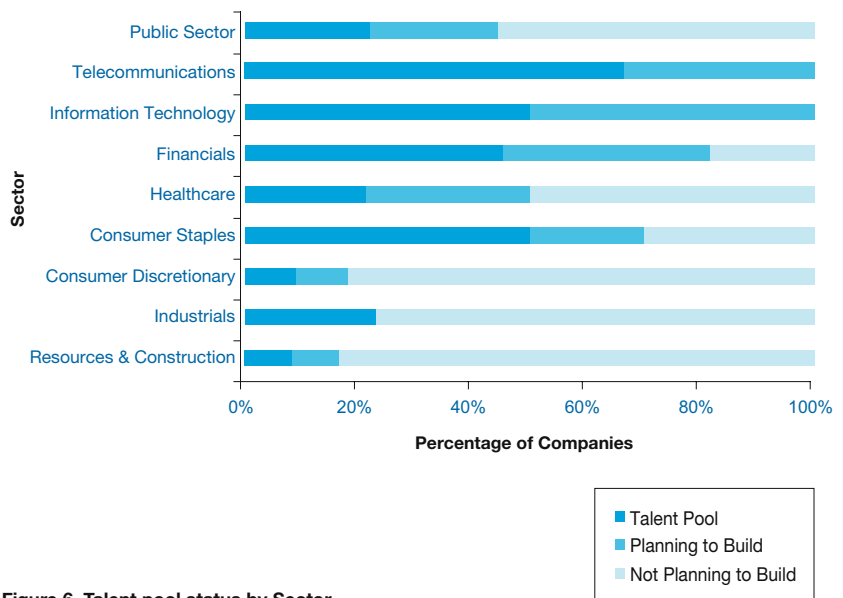


Figure 6. Talent pool status by Sector

Sector	Industry
Materials	Construction Materials
	Containers & Packaging
	Metals & Mining
Industrials	Capital Goods
	Commercial Services & Supplies
	Transportation
Consumer Discretionary	Automobiles & Components
	Consumer Services
	Media
	Retailing
Consumer Staples	Food & Staples Retailing
	Food Beverages and Tobacco
Health Care	Health Care Equipment & Services
	Pharmaceuticals & Biotechnology
Financials	Banks
	Diversified Financials
	Insurance
	Real Estate
Information Technology	Information Technology
Telecommunications Services	Telecommunications Services
Public Sector	Universities

Table 2. Explanation of Sector Classification

Predication: 63% of companies will have implemented a talent pool process by the end of 2007

Forecast Uptake

Illustrated below is the current growth rate, in absolute numbers, of talent pool technology within the top 100 Australian companies. The adoption rate was 43% by the end of 2005, with yearly uptake appearing to be linear in growth. Based on current analysis, we predict that 63% of companies will have implemented a talent pool process by the end of 2007. This illustrates that although growth is continuing, the Australian market as a whole, is not yet at saturation levels. However, as discussed above, uptake is not uniform across sectors, with some industries such as Resources, Construction and Industrials having low penetration at this point in time which is not expected to change markedly in the near future unless there is a change in management mindset. The skill shortage currently faced by a number of companies due to the tight labour market may act as just such a catalyst.

Total Number of Companies Who Have Implemented or Plan to Implement Talent Pools by End of 2007

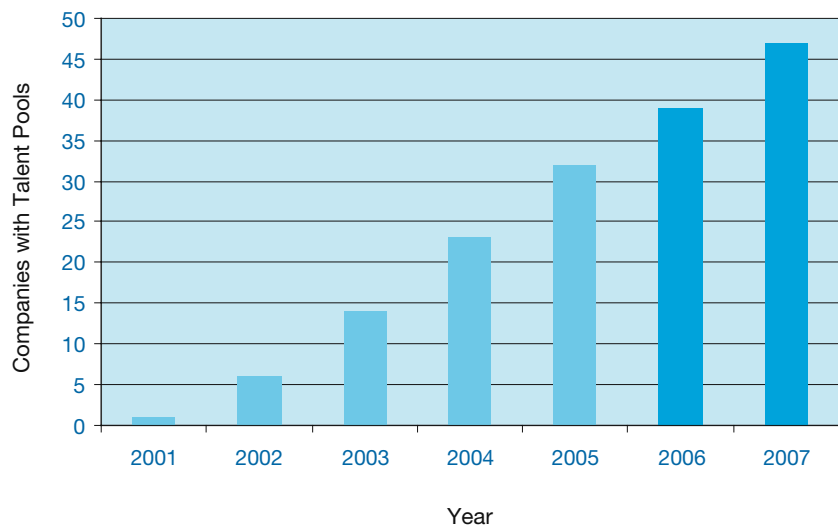


Figure 7. Candidate database adoption. The numbers for 2006 and 2007 are predicted figures.

Key Drivers of Talent Pool Implementation

During the survey the respondents who wished to build a talent pool management process were asked to provide their reasons for implementing such systems, their responses fell into the following categories.

Manage talent

- build a pool of common skills to reuse and place in potential future jobs
- identify high potential candidates with leadership skills internal and external to manage for the future
- creating leaders for the future, the need to develop people for the future from external recruitment through to internal employee succession
- benefits to assist in searching and managing rare skill areas and continually communicating with this rare talent.

Increase efficiency of the recruitment process

- reduce time to fill and increase quality
- method to manage unsolicited resumes that are attracted to your brand and potentially place these people in the future

Cost management

- keep costs down to a minimum by mining the pool instead of advertising or going direct to recruitment agencies

Manage fluctuations in resource needs

- use a talent pool for contractor and temporary recruitment to help manage the fluctuations in resource

The organisations who had already implemented a talent pool process were also asked about the benefits of using a database system. These organisations had all the above reasons plus the following additional reasons:

Increase efficiency of the recruitment process

- to deal with the large volume of applicants and large volume of recruitment requirements

Manage fluctuations in resource needs

- best way of managing fluctuations in demand, and assisted HR team to be more productive

Obtain competitive advantage

- meet current business requirements
- many other organisations/competitors are using talent pools

Conclusions

43% of the Top 100 companies surveyed have adopted talent pool processes and are largely doing so with technology based solutions rather than manual systems. This is expected to increase to 63% by the end of 2007.

The primary reasons why organisations have adopted 3rd Party systems to manage their talent include:

- looking to work with experts in the recruitment field
- cost to implement is lower and Return on Investment (ROI) can be significant
- ensuring the candidate data is up to date is less of a challenge with 3rd Party Software
- HR focused solution so closer to recruiters needs and not IT focused

The majority of organisations that have implemented or plan on implementing talent pools have employee numbers between 1,001 to 5,000 and 20,001 to 50,000. Although these findings appear contradictory to the market belief that talent pools are only successfully utilised in very large organisations closer analysis reveals a sector based trend. The Resources & Construction (Materials) and Industrials sectors, along with the Consumer Discretionary sectors exhibit poor uptake of talent pool processes. Clearly any peers who have already adopted these processes are at a competitive advantage; especially during a time of skill shortage such as that currently faced by the Australian market. In contrast the Financial and Consumer Staples sectors had high penetration of candidate database technology. This suggests that any peers that lag in the uptake of talent pool processes may find themselves at a competitive disadvantage.

Substantial benefits can be realised by implementing a talent pool process and system into an organisation's recruitment strategy. A number of organisations who had implemented systems or were planning to implement systems could see that they could reduce cost and time to fill, but also recognised the future benefits of linking internal and external talent pools into their succession planning process. This would make it easier for these organisations to back fill their talent from their external pool into their internal pool. Organisations can take pre-emptive action in relation to roles which may become vacant in the future. This will provide further cost and time savings.

1.1 KEY FINDINGS FOR ORGANISATIONS WITH NO TALENT POOL PROCESS

This section details the overall key findings for those organisations that do not currently have talent pools in place. This section includes details of when organisations are planning on implementing systems and what hurdles they perceive they will meet.

Implementation Planning

At the time of the first survey 73% of the 85 respondents had no talent pool process, either manual or electronic, for external recruitment. However 24% of organisations recognised the benefits of building a candidate database and planned to implement appropriate technology. At the time of the second study, of the 75 respondents, 57% had no talent pool for external recruitment with 20% indicating they had plans to implement a candidate database (refer to charts 1 & 2 in section 1 : 1.0).

The results of the first survey indicated the majority of companies expected it would take 12 months to put in place. When a follow up survey was performed a year later it was found that of those companies planning to implement a talent pool 62% had done so. Of those that had not, although there were still plans to do so, the majority of organisations no longer had a defined timeframe for implementation. We also did a follow up study with the companies who did not plan to introduce a candidate database to see if anything had changed. Of the original 47 companies without a talent pool for external recruitment, nor plans to implement one – 17% did not participate in the follow up study, 60% still had no pool or intentions to create one, 21% had no candidate management system but planned to implement one and 2% had introduced a talent pool process in the preceding 12 months.

Percentage of Companies Planning to Build Talent Pools in the Next 12 months: Survey 1 & 2

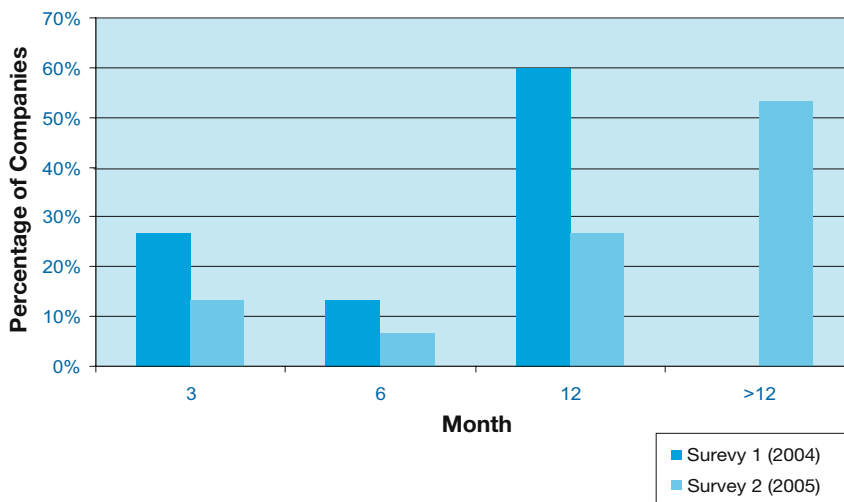


Figure 8. Expected timing for talent pool implementation.

For the majority of companies it was expected that it would more than 12 months to implement the system. Compared to a year ago the expected timing had moved out by at least six months. Reasons for this may include a shift in priorities to other projects, initially underestimating the time it takes to implement a system properly, or that due to a lack of focus or available internal resources the project was taking longer than expected.

Perceived Hurdles for Talent Pool Implementation

Organisations were asked about perceived challenges or hurdles they may face in implementing a candidate database. The key challenges are summarised as follows:

- financial justification to senior management and/or the board
- managing the changes internally in methodology, resources and process for recruitment
- re-engineering current recruitment process to allow for database technology
- moving from a manual paper based process to an electronic/technology based process for recruitment

Despite these hurdles 62% of companies implemented talent pool processes in the proceeding 12 months

At the time of the first survey managing change was the biggest perceived hurdle to implementing a talent pool process, specifically as it related to changing the current recruitment process, and moving from a manual to a technological process. Currently recruiters advertise for each role and wait for the candidates to apply. Searching a talent pool proactively as a first step is not standard process for most organisations so this requires a major shift of mind set. Financial justification to board or senior management was also perceived as a challenge to implementation with 40% of the respondents. When the time horizon for expected implementation was shortened from 12 to three months three quarters of companies felt financial justification would be a hurdle. These organisations had already investigated potential talent pool systems and were now at the point of needing to present a compelling return on investment argument to the board in order to receive funding.

Despite these hurdles 62% of companies implemented talent pool processes in the proceeding 12 months. Where implementation did not occur as planned the reasons included financial justification to senior management or the board, change management issues including re-engineering current recruitment processes and moving to a technology based solution, organisational restructuring, and lack of dedicated resources to get the project moving.

In the follow up survey companies were again asked what they perceived as the largest challenges to implementation. In contrast to the first survey financial justification had moved to the fore front as the largest potential hurdle. This might be due to a number of reasons including: 1) the difficulty of tracking and managing costs in a decentralised model compared to a centralised model (many of the “no” respondents in the first survey had a decentralised model); 2) using external recruiters to fill “hard to fill” positions in a tight labour market may be absorbing a large proportion of the HR budget leaving little for new projects; or 3) concerns about where we are up to in the economic cycle may make management reluctant to start new projects.

Perceived Challenges to Implementation at Time of First Survey

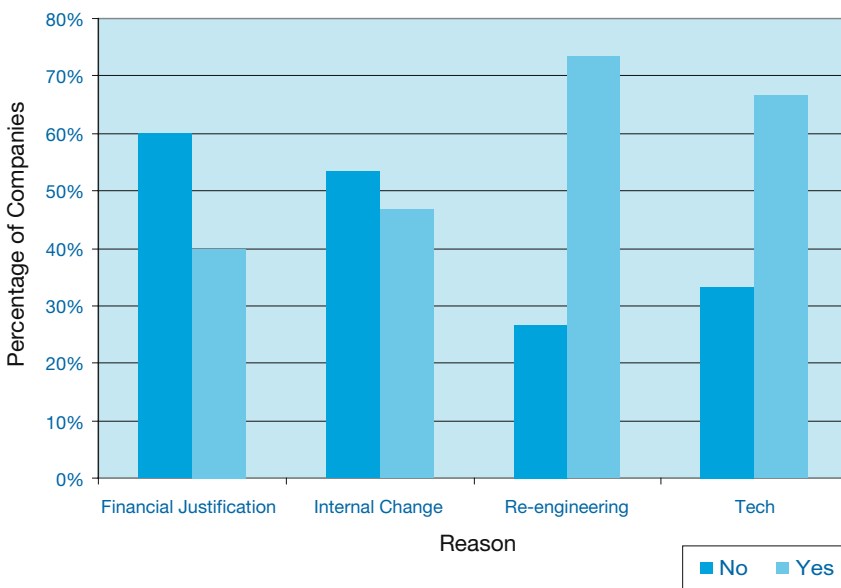


Figure 9. Percentage breakdown of perceived hurdles to talent pool implementation at the time of the first survey

Perceived Challenges to Implementation at Time of Second Survey

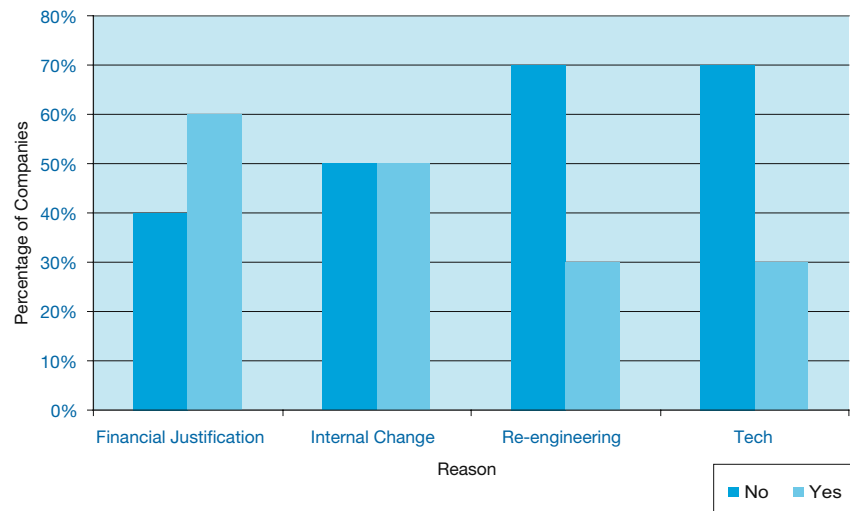


Figure 10. Percentage breakdown of perceived hurdles to talent pool implementation at the time of the second survey.

Conclusions

- At the time of the first study 24% of organisations recognised the benefits of building a candidate database and planned to introduce appropriate technology within the next 12 months. The follow up survey indicated 62% of these companies had successfully implemented candidate databases.
- Over 65% of companies who planned to implement a talent pool process viewed either the re-engineering of current recruitment process to allow for database technology or switching from a manual process to a technology based process as the largest hurdles to implementation at the time of the first survey. In the follow up survey this had shifted to financial justification for 60% of companies.
- The time horizon for implementation had also moved out, perhaps indicating a lack of dedicated resources (financial or people) or a shift in priorities. These may include retention of current staff or implementation of a RMS which according to our 2 year study increased from 26 companies to 35 companies over the period.

1.2 KEY FINDINGS FOR ORGANISATIONS WITH A TALENT POOL PROCESS

This section details how effectively organisations are using candidate database technology, if they are searching their pool first prior to advertising and finally how integrated talent pools are with their Human Resource Information Systems (HRIS).

Effectiveness of use

Uptake Of Technology Based Solution

43% of organisations have a candidate database or talent pool in place, of these 6% were still using a manual, paper based or excel spreadsheet approach. These organisations are relying heavily on their recruiter’s ability to remember key candidate data and a lengthy searching process to identify the correct skills set. These organisations could not easily maintain up to date information on candidates and were also finding that they were not achieving any cost or time benefits. As mentioned earlier, of those using a technology based solution 78% purchased a 3rd Party software system whilst the other 16% opted for building in house tools. This suggests that most organisations recognised the advantage of utilising their RMS as a starting point for talent pool management versus trying to build a system themselves.

6% using a manual approach rely heavily on their recruiters ability to remember candidate data and a lengthy searching process

Type of Talent Pool

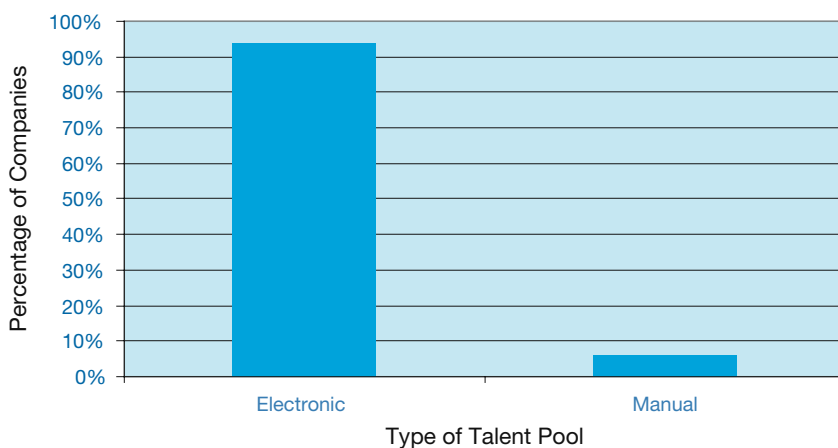


Figure 11. Electronic versus Manual based talent pool or candidate database process

Access to System

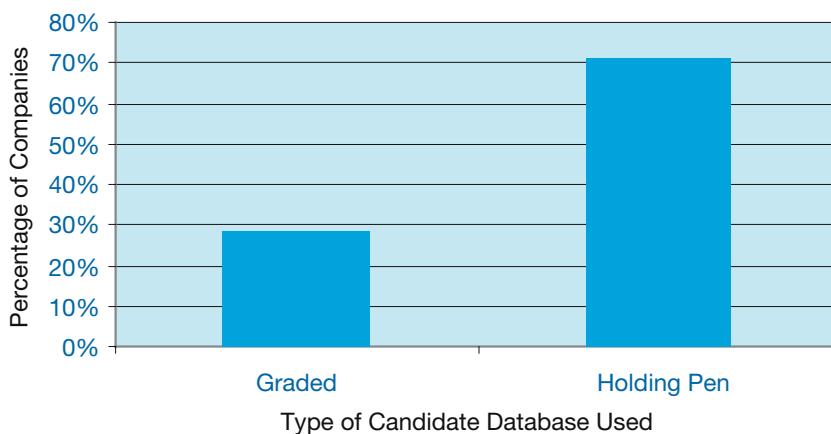
Respondents were asked which personnel had access to mine their talent pool. The options provided to the respondents were recruiters and/or Line Managers. None of the respondents at this stage wanted to provide Line Managers with access and only 4 organisations were considering providing Line Managers access to the talent pool in the future.

However this approach may change over time due to Line Managers and HR teams sharing responsibility for recruitment. A recent survey conducted through AHRI illustrated that in the opinion of CEOs, recruitment and selection procedures were seen as a 50/50 shared responsibility between Line Managers and HR.³ Yet in terms of technology most recruitment and HR teams wanted to keep this firmly to themselves. In the short term this allows the recruiters to trial and refine the recruitment processes within the HR and Recruitment team and minimise ongoing change management issues. Keeping access to talent pool technology central in the short term also allows a base of experienced users to develop within the organisation, which helps support the change management process when it is time to decentralise. In companies that have decentralised or plan to decentralise HR processes, limiting line managers' access to talent pools or candidate databases has a less compelling argument. As more companies realise the competitive advantages offered by talent pools we may see a swing towards line manager access. Whether or not the current approach changes over time remains to be seen.

Sophistication of Use

Findings also indicate that over 70% of those companies who have purchased the technology and wish to use a candidate database are really using the system as a holding pen or filing cabinet for candidates that apply rather than proactively managing, grading and communicating with them on an ongoing basis. These organisations are missing the fundamental goal of a candidate database, which is to create a long-term relationship with key candidates. Building a long term relationship will only occur through regular and relevant interactions. The candidate database, if utilised like a client relationship management system, provides time and cost savings and can bridge the organisations gaps between supply and demands for talent.

Percentage of Companies Who Use their Database as a Holding Pen Versus an Active Database



Over 70% using a candidate system as a filing cabinet

Figure 12. Percentage of candidates that have a graded candidate database versus a holding pen. Please note 2 respondents surveyed did not answer this question.

Advertising

General findings indicate that although 43% of companies of the companies surveyed have systems in place for building an external talent pool to recruit, many companies are not using the technology to its full potential. For example 30% of companies with a candidate database for external recruitment do not search their talent pool prior to advertising (see figure below). Even though these systems are implemented specifically to be used as a potential cost and time saver these organisations are missing the full benefits of the system they have implemented.

Percentage of Companies Who Search their Database Prior to Advertising

Organisations are missing the full benefits of the system they have implemented

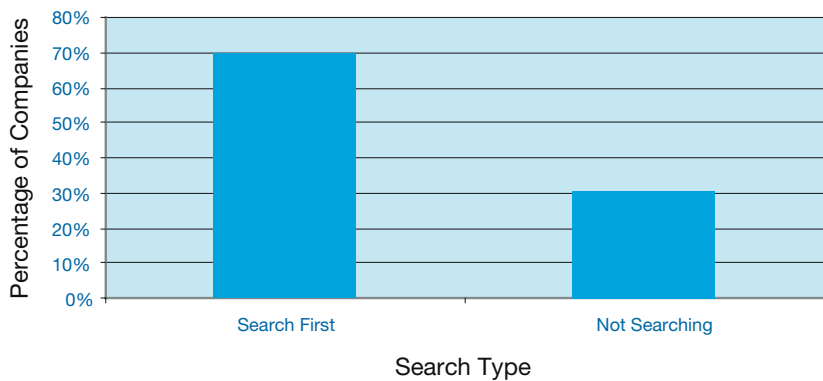


Figure 13. Percentage of companies that search in their database first.

Integration with Human Resource Information Systems

A number of organisations are currently integrating their talent pool systems into key recruitment technologies e.g. testing systems and recruitment agencies. The respondents were asked if they integrated their recruitment technology with their HRIS. Approximately 97% of companies kept the process separate. There were two main reasons given, firstly to minimise cost as there is a perception that integration is expensive, and secondly to reduce change management. A number of companies with smaller hiring needs find that transferring candidate data from their recruitment system and talent pool is more cost effective through a manual process. For companies with large hiring needs this is not expected to be the case.

Methods of Sourcing Potential Talent

A talent pool should be a dynamic database of potential candidates. As such, in addition to generic advertising, it is expected that recruiters would spend time “head hunting” the correct individuals for their organisation and searching external third party databases to ensure that the talent pool is full of quality candidates. The results of our survey indicate only 43% of organisations “head hunt” on a regular basis or search external databases to find potential hires. Of those companies that utilised 3rd party databases Seek was the main database searched.

Conclusions

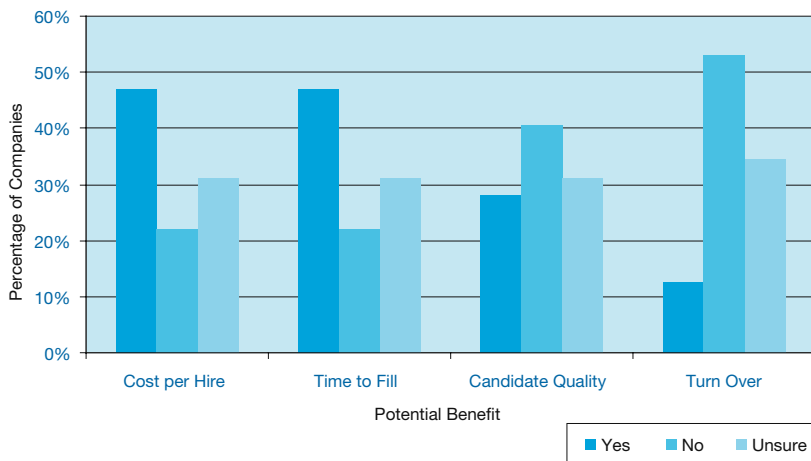
- Organisations that are implementing talent pool technology need to make sure that they address the human processes as well as the technology processes. The process that supports the technology is equally important, as if this does not occur, the full savings and benefits from a talent pool system will not be realised.
- Critical to the success of any talent pool technology are easy maintenance of data and rapid searching functionality. Consequently, 90% of organisations using talent pools have implemented electronic systems to manage the process, as benefits of using such systems include maintaining data integrity, both from the candidate's and the recruiter's perspective. Also, the electronic systems are designed with recruiters in mind and reduce administration associated with managing a talent pool.
- Organisations are starting to implement talent pools, but are not using them to their full potential. The research illustrates that both the process and technology are not fully being adopted, with 30% of organisations not searching their pool prior to advertising and with 60% using talent pools as static filing cabinets. This indicates the majority of Australian companies are currently still in the infancy stage of managing candidate relationships with few companies having reached the advanced stage where candidates have a structured, easily updatable profile and communication is an ongoing process.
- A trend appears to be forming with regards to organisations' approach to implementing candidate databases. It's clear that organisations are taking gradual steps into using the full technology provided in a RMS. This is a wise approach, reducing the impact of change for the recruiter and the organisation as a whole.
- Less than half of the organisations that have a talent pool in place also search 3rd Party databases to find other external talent. The majority of those organisations searched Seek's database. Likewise "head hunting" to supplement the talent pool is used by less than half of organisations with talent pools. There may be a number of reasons for this, including lack of recruiter time to engage in more strategic recruitment activities which may be a significant change to the current transaction-based process.

1.3 BENEFITS REAPED FROM CANDIDATE DATABASES

Potential Savings

The key benefits reaped from candidate databases are typically seen to be reduced cost per hire and time to hire. Illustrated below are the results achieved from using a talent pool to source candidates, which shows that nearly 50% of organisations believe that they have reduced their cost per hire, or their time to hire. However, the most striking point is that over 30% are either unsure or did not measure the results.

Benefits of Talent Pools



Nearly 50% of organisations believe that they have reduced their cost per hire, or their time to hire

Figure 14. Percentage of companies who believe that they have reduced cost per hire by sourcing from their talent pool

When respondents were questioned on the extent of cost savings realised most organisations were unable to accurately estimate the percentage savings. Most of these respondents were aware they had made savings but were unable to provide an exact figure. Of the 13% that had measured their results, 10% to 20% cost savings had been achieved. Given such a small sample size care must be taken when attempting to extrapolate these findings across a larger sample. They do, however, appear on the conservative side with higher savings expected. Past research has shown that if organisations implement the ability to capture a dynamic candidate profile and continually communicate with individuals, then organisations can expect to reduce sourcing cost per candidate by 30% in the first year and 44% after two years¹. If organisations begin to measure these results more systematically over a period of one to two years the results will potentially illustrate that more cost savings can be realised as the talent pool grows.

Past research has shown organisations can expect to reduce sourcing cost per candidate by 30% in the first year

Importance to Business Objectives

Respondents were asked how important the talent pool process was in relation to their overall business objectives. Levels of importance were assigned as follows: 1= not important to 5 = very important. As illustrated below, 40% gave the Top rating of “very important” to their business objectives. No organisations chose the number one rating, i.e. not important at all, indicating that HR departments believe talent pools play an important part in the external hiring process.

Percentage of Companies that Believe that their Talent Pool Process is Key in Reaching their Business Goals

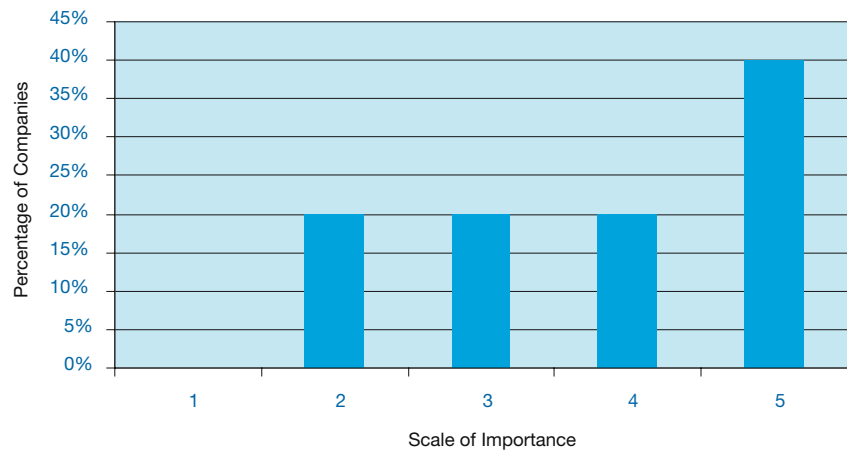


Figure 15. Percentage of companies who believe that their talent pool process is important to assisting them to reach their business objectives

This survey was focussed primarily on how the Top 100 organisations who responded to the survey used talent pools to recruit external talent. However, it is worth noting over 84% of organisations who had a talent pool for external candidates also had implemented a pool for internal candidates.

Conclusions

- Nearly half of the respondents found their talent pool reduced both time to hire and cost per hire, however not many of these organisations could provide firm figures on the size of the savings.
- Of those organisations that did measure their savings they achieved cost savings from 10% to 20%. It is predicted saving will continue to increase the longer the talent pool system is in place. Continuous improvement is expected as the process becomes more refined.
- Overall, organisations believed using a talent pool to be important to assisting their business objectives and typically used the talent pool for sourcing of both internal and external talent.

SECTION TWO: AUSTRALIAN MARKET OPINIONS

As part of this survey companies were asked their view on talent pool usage in Australia today and how they felt this would change in the next 12 months. The most prominent opinions are detailed below.

To date uptake has been slow:

- Australia is slower than the United States and United Kingdom in adopting effective talent pool processes.
- Australian companies tend to advertise first and wait for candidates to apply, which results in a very reactive recruitment process rather than proactively searching their database as a first step.
- The ageing workforce will become an issue and will increase the need for talent pools. This issue will become a realisation later than it should to many organisations just like Y2K. Organisations will only act at the last minute, resulting in a big scramble when the issue hits them in the face.

The need to proactively manage talent is increasing:

- Adoption of databases to build and mine candidates is going to increase in the next 12 months with increased numbers of candidates applying directly to organisations.
- It is becoming harder to find skilled workers so talent pools have to be developed further due to this pressing need.
- Talent Pools are useful for creating leaders for the future by building talent pool management into succession planning.
- Uptake and adoption of talent pools will increase in the next 12 months. When one respondent's organisation first looked at talent pool systems two years ago, only a couple of players were using systems. Now there are many companies who use tracking systems and databases to recruit.

Cost reduction also plays a part:

- Implementation of talent pool systems have been to primarily reduce recruitment agency spend.

Cultural change is required for successful implementation:

- Currently there is a very narrow use of talent pools, as they are not kept up to date and not targeted enough.
- There needs to be a focus on building databases of internal candidates and mining this first prior to sourcing externally
- Good tools need to be used well to ensure that data integrity is maintained.
- Needs to be driven from the top down to be successful.

SECTION THREE: TECHNOLOGY

This section touches on the technology features that organisations are currently using to search for and manage their candidate pools and summarises the findings of the survey.

Detailed in Table 3 below are the features currently being used by organisations that have talent pool technology. Keyword searching was the most prominently utilised technology to search on candidates, followed by skills categorisation.

Technology Features	
<p>Keyword Searching Searching through resumes, and candidate profiles for key skills. Does not always provide quality returns.</p>	<p>Availability Searching by candidate availability is extremely valuable if the organisation has shift workers or a high pool of casual staff.</p>
<p>Categorisation Ability for candidates and recruiters to categorise candidates by skills, competencies, licences required, etc. More accurate searching can occur by categorisation.</p>	<p>Suitability Searching by organisations suitability is vital in order to find the right candidate who fits the organisations culture and has the correct qualifications.</p>
<p>Hot Candidates / Flagged Candidates Technology should allow the recruiter to be alerted when a specific set of skills enter the talent pool. For example certain nurses, bakers etc which allow fast tracking of the candidate screening process.</p>	<p>Qualifications Searching on qualifications separately rather than a key word search brings a higher accuracy of search result.</p>
<p>Brand Suitability Candidates in many organisations can be utilised across brands. Through mechanisms such as online testing, candidates can be profiled across an organisation.</p>	<p>Positions Type What suitable roles have the candidates had in their working career and what potential positions could they work in are useful searching parameters.</p>
<p>Previous Employer Search for competitor's staff.</p>	<p>Application History and Candidate Name Searching on the above.</p>
<p>Profiles Having a central profile that is easy for the candidate to update but is used throughout their life in the talent pool.</p>	<p>Automatic Communication Ability to automatically communicate on an ongoing basis with key candidates in the pool.</p>

Table 3. Common Technology features used for searching

SECTION FOUR: CONCLUSIONS AND FUTURE DIRECTION

Present Day Conclusions

A number of key conclusions were established as a result of the research conducted.

Organisations are taking a phased approach to the implementation of talent pool systems:

- The majority of organisations that were surveyed implemented an RMS system first and ironed out the process for recruiting through these systems. As a second phase, a number of these organisations are looking at how best to mine and use their talent pool, concentrating on further cost savings.

Financial justification was perceived as the largest hurdle to implementation despite the apparent ROI benefits. This barrier is expected to diminish as more companies adopt talent pools and the financial benefits become more transparent:

- There is a general lack of recognition of the benefits that talent pools can bring to an organisation. These systems can not only provide tangible cost and time savings, but provide a firm basis for identifying leaders throughout the organisation and filling hard to fill roles more quickly. Currently the systems in place for internal pools, external pools and succession planning technologies are not interlinked. In the future these systems will start to merge into one workflow for organisations to easily predict demand and recruit just in time for their staff.
- Candidate databases are generally under utilised by those that currently have systems in place. A number of organisations are not measuring their success and are not using all the capability of the technology or following standard processes to enable them to receive the full benefits. Many of these organisations are starting to step up their game and revisit the way they use their talent pools.
- Although talent pools systems are under utilised, benefits are still being achieved. These benefits include cost savings, time savings and the ability to build a talent pool of rare skills to target for the future. As more companies realise the benefits of talent pool processes, and the financial benefits become clearer, it is expected that talent pool uptake will increase.

The differences between sectors with regards to talent pool uptake are expected to influence the relative competitive advantage of companies within each sector:

- Any companies that lag their peers may quickly find themselves at a disadvantage, especially given the skill shortage currently faced by the Australian market.
- Of the different sectors companies within the Resources and Construction or Industrial sectors have the greatest opportunity to obtain a competitive advantage over their peers given the current low adoption and low plan to implement status.
- Although the adoption rate of talent pools has been slow initially, growth is expected to continue to move in a linear fashion with implementation predicted to reach 63% in 2007 based on indicated trends for organisations in the Top 100. Growth will not be uniform across industries, with Financial and Consumer Discretionary sectors reaching saturation levels more quickly.

Future Direction

What can be expected in 2006 and beyond? Will the market continue to adopt the use of candidate databases for external recruitment and will it remain as a process used predominantly in certain industry sectors? According to the research conducted 43% of companies already have a talent pool and if predictions are correct this will increase to 63% of those surveyed by the end of 2007. This is still low compared with world standards, as there was an adoption rate of 94% within the Global 500 in 2003³.

Detailed below are some predicted trends for Australia:

Efficiency of Process

- Recruitment teams will profile and grade candidates skills and competency sets. Hot talent will be highlighted and communicated with on an ongoing basis.
- Managing the talent pool is going to move away from a filing cabinet approach towards a Customer Relationship Management (CRM) approach, with segmentation and targeted marketing to candidates.
- Organisations will shift their advertising strategies from a 'single' job approach, towards employer brand awareness advertising. Candidates are looking for quality companies to work for rather than a single job opportunity.
- The talent pool will include all internal staff as well as external candidates which will allow for faster recruitment timeframes.
- Talent pools will be linked into succession planning tools more effectively. This will encourage promotion from within and may impact retention statistics positively.

Technology Advancements

- Automated resume screening will be built into the talent pool process to reduce administration for recruiters.
- Technology will allow for accurate automated searching of the talent pool based on job profiles and match candidates with potential job opportunities.
- Technology and process will allow for gradual access to the pool by line managers in partnership with Human Resources. This may result in more companies with decentralised HR adopting talent pool technology.

Financial Transparency

- As more organisations adopt talent pools, and RMS, return on these investments will be tracked more accurately. As a result more data will be available to support the effectiveness of recruiting from talent pools. The impact of this will be faster adoption of candidate database technology.

Competitive Advantage

- Organisations that do not adopt talent pool processes will find themselves behind their competitors struggling to hire quality candidates cost effectively.
- As illustrated in this paper, Financial and Consumer Staples sectors had the highest penetration of candidate database technology. These organisations will be at a competitive advantage as skill shortages increase. Other sectors such as Healthcare, Industrials, and Resources and Construction already faced with the skills shortage issues may be forced into using talent pools to widen their methods of recruitment. Those that adopt and utilise the technology first should find themselves at a competitive advantage relative to their peers.

ABOUT PAGEUP

PageUp has been established since 1997 and is fully Australian owned. We work in partnership with our clients to understand their organisation and deliver high quality, tailored, web-based People Management solutions to meet their individual needs.

For example our Online Recruitment Solution, PageUp People, has been deployed to many 'Top 100' Australian corporations. As part of our experience we have a tried and tested methodology and a solid team with experience ranging from technical, implementation through to maximising customer experience. We conduct regular user groups and deploy quarterly upgrades to ensure our solution is continually improving.

PageUp has won several awards including:



The Age / D&B 2004 Victorian Business of the Year
in the I.T. & Business Services Category



Australian Achiever Awards 2004 and 2006
Excellence in Customer Service



BRW Fast 100
45th in 2005 and 33rd in 2004

PageUp has a leading position working with many Top 100 organisations globally to deliver best practice People Management solutions. For further information about PageUp Pty Ltd, please visit our website:

www.pageup.com.au

BIBLIOGRAPHY AND REFERENCES

- ¹ Economics of Candidate Relationship Databases: Taleo Research
- ² Employment Today: Summer 2004 Vol 9 No. 2, "Unearthing Recruiting Gold" by Carolyn Hirschman
- ³ HR: Creating Business Solutions: Australian Human Resources Institute

APPENDIX 1

Top 100 BRW companies by Employee Numbers of which 85 companies responded.

Air New Zealand	Lend Lease	TNT Australia
Alcoa World Alumina Australia	Macquarie Bank	Toll Holdings
Amatek Industries	Mayne Group	Tyco International
Amtcor	MBf Carpenters	University of Melbourne
AMP	McDonald's	University of New South Wales
ANZ Banking Group	Melbourne Health	University of Sydney
APN News & Media	Miller's Retail	Visy Industries
Australia Post	MIM Holdings	Wesfarmers (Bunnings)
Australian Taxation Office	Monash University	Western Sydney Health
Austrim Nylex	Moran Health Care	Westpac
BHP Billiton	National Australia Bank	Woolworths
Blue Scope Steel	New Zealand Post	Yum Restaurants
Boral	News Corporation	
Brambles	Northern Sydney Health	
Cadbury Schweppes	OneSteel	
Carter Holt Harvey	Orica	
Central Sydney Area Health	Owens-Illinois	
Chubb (Security)	PricewaterhouseCoopers	
City of Brisbane	Publishing & Broadcasting	
Coca-Cola Amatil	Qantas	
Coles Myer	QBE Insurance	
Commonwealth Bank	Queensland Health	
Competitive Foods	Queensland Rail	
Computershare	Rail Infrastructure Corporation	
Crane Group	Ramsay Health Care	
CSIRO	Restaurant Brands NZ	
CSR	Rio Tinto	
Downer EDI	Roads and Traffic Authority NSW	
Eurest (Australia) Support	SingTel Optus	
Fletcher Building	Sisters of Charity Health Service	
Fonterra Co-op Group	Skilled Engineering	
Foodland	Smorgon Steel	
Ford Australia	Sonic Healthcare	
Foster's Group	South Eastern Sydney Health	
Fresco Supermarkets	South Pacific Tyres	
George Weston Foods	South Western Sydney Health	
Goodman Fielder	Southern Health	
Holden	Spotless Group	
Hunter Area Health	Spotlight Stores	
IBM	State Rail NSW	
Inghams Enterprises	Suncorp Metway	
Insurance Australia Group	Telecom NZ	
Jupiters	Telstra	
Leighton Holdings/ John Holland	Tempo Services	







Published February 2006

PageUp has a leading position working with many Top 100 organisations globally to deliver best practice People Management solutions.

Enquiries 03 9602 3300 / 02 8252 8252 **Website** www.pageup.com.au