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ITM - The Evolution
How technology will enable the transformation of HR and business management

Assisting **Organisations** to Acquire **&** Retain the **Best Talent** through the Development **&** Integrated Delivery of **Innovative** People Management **Systems** and Solutions

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Table of contents

Integrated
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Executive Summary

The value of integrating talent management functions to achieve strategic business goals cannot be underestimated. In reality the ability to do so in large organisations has been limited due to the logistical challenge of gathering, maintaining and managing large amounts of information. In this report PageUp People looks at what HR functions will look like in the future and how technology will support these functions.

Technology to support Integrated Talent Management (ITM) is the new phenomenon, and we believe the way of the future. Vendors have traditionally been niche players, focusing on one aspect of talent management and building breadth and depth within this area. As such technological solutions to support the various HR functions are at different stages of maturity, and to date, solutions that are fully integrated are in the infancy stage.

Looking to the future, technology will be the key enabler of effective talent management. The HR landscape is going to change with a greater emphasis on metrics and analytics, sharing of human capital data, and buy-in from key stakeholders. This will not happen overnight, but will rather take a step-wise approach, with different industries and even individual companies within an industry taking the steps at various speeds.

Stage 1

- Organisations use multiple vendors because no single vendor has the depth or breadth needed in all applications. Vendors continue to broaden their core solution, either through development, partnering or acquisition, to offer an integrated suite of applications

- Talent management is not integrated and therefore provides limited strategic value to business outcomes

- Use of workforce analytics is in its infancy

- Web 2.0 and social networking gain popularity

- There is limited buy-in from executives and line managers because ongoing benefits of technology initiatives often elusive

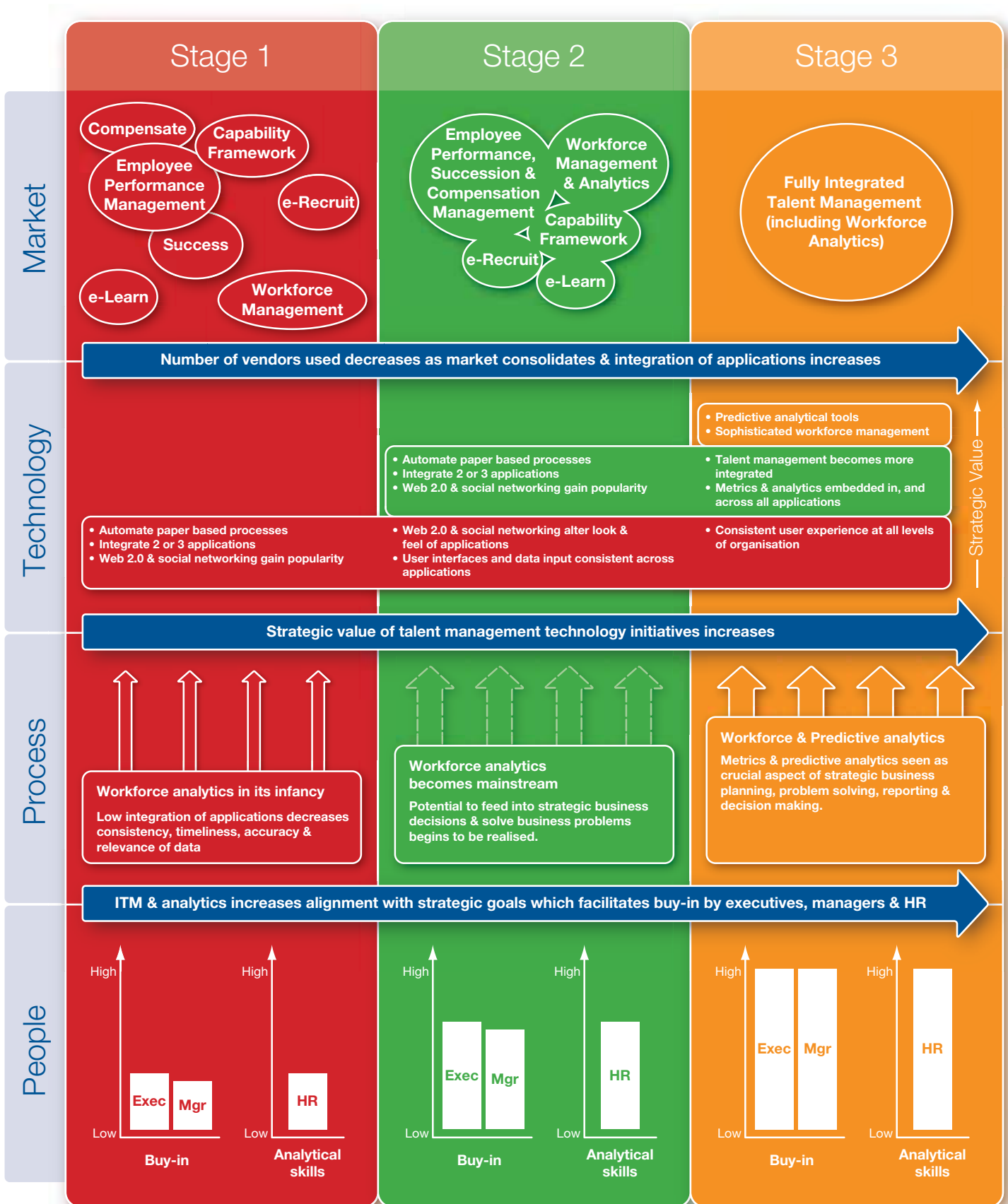- A new breed of HR professionals with increased analytical skills emerge.

Stage 2

- Number of vendors used by organisations is reduced as vendors widen breadth and depth of offerings either through development, partnering or acquisition

- Talent management becomes more integrated, improving processes with shared workflow and data access

- Web 2.0 and social networking tools alter the look, feel and usability of applications

- The potential of workforce analytics to feed into strategic business decisions and solve business problems begins to be realised

- Greater buy-in from senior management and line managers as analytics provides input to key decision making process

- HR professional are viewed as strategic partners to the business.

Stage 3

- Fully integrated talent management solutions are available from single vendor

- Workforce analytics are a crucial aspect of strategic business planning, problem solving, and decision making and reporting

- Predictive technology and sophisticated analytical tools used to align strategic talent planning with organisational goals and objectives become the mainstream

- Senior management buy-in cascades the adoption of ITM throughout the organisation with HR professionals partnering with the management team to drive business strategy.

The Evolution of Integrated Talent Management

	Stage 1	Stage 2	Stage 3

Market

Stage 1: Compensate, Capability Framework, Employee Performance Management, e-Recruit, Success, e-Learn, Workforce Management

Stage 2: Employee Performance, Succession & Compensation Management, Workforce Management & Analytics, Capability Framework, e-Recruit, e-Learn

Stage 3: Fully Integrated Talent Management (including Workforce Analytics)

Number of vendors used decreases as market consolidates & integration of applications increases →

Technology

Strategic Value →

Stage 3:
- Predictive analytical tools
- Sophisticated workforce management

Stage 2:
- Automate paper based processes
- Integrate 2 or 3 applications
- Web 2.0 & social networking gain popularity

Stage 3:
- Talent management becomes more integrated
- Metrics & analytics embedded in, and across all applications

Stage 1:
- Automate paper based processes
- Integrate 2 or 3 applications
- Web 2.0 & social networking gain popularity

Stage 2:
- Web 2.0 & social networking alter look & feel of applications
- User interfaces and data input consistent across applications

Stage 3:
- Consistent user experience at all levels of organisation

Strategic value of talent management technology initiatives increases →

Process

Stage 1: **Workforce analytics in its infancy**
Low integration of applications decreases consistency, timeliness, accuracy & relevance of data

Stage 2: **Workforce analytics becomes mainstream**
Potential to feed into strategic business decisions & solve business problems begins to be realised.

Stage 3: **Workforce & Predictive analytics**
Metrics & predictive analytics seen as crucial aspect of strategic business planning, problem solving, reporting & decision making.

ITM & analytics increases alignment with strategic goals which facilitates buy-in by executives, managers & HR →

People

Stage 1: Buy-in (Exec, Mgr) — Low; Analytical skills (HR) — Low

Stage 2: Buy-in (Exec, Mgr); Analytical skills (HR)

Stage 3: Buy-in (Exec, Mgr) — High; Analytical skills (HR) — High

Overview

Strategic Human Capital Management (HCM) applications enable organisations to plan, attract, develop and retain key talent. The ability to identify, attract, retain, engage and develop the right people is always relevant regardless of the economic climate. Effective CIOs and HR leaders will use the current economic slowdown as time to improve HR strategies, strengthen the workforce and invest in technology that will sustain their relevance in the upturn (Morello, 2008). Talent management application suites (TMAS) include an integrated set of applications encompassing the employee life cycle, including workforce planning, e-recruitment, learning, performance management, competency management, succession planning, career development and compensation management (Holincheck, 2007, Holincheck & Otter, 2009, Otter et al, 2008, Bersin, 2008b).

Integrated Talent Management

The fundamental concepts of talent management are nothing new; HR departments have been managing most or all of these functions for many years. Whilst each of the functions of HR has value in its own right, it is their integration that multiplies the value to the business (PageUp People, 2008). Rather than silos of functionality and information, integration produces a coordinated and holistic system which can be used to support and drive business strategy (PageUp People, 2008). The PageUp People whitepaper "Talent Management: Raising the Bar" (2007) discusses the elements of talent management, why it matters and factors critical to success. The PageUp People whitepaper "Integrated Talent Management: Optimising the Employee Life Cycle" (2008) discusses what an integrated talent management solution looks like and explains the strategic value of having HR functions that are closely and clearly integrated and supported by a well designed technology platform.

> "ITM leverages the same data, process, workflow management, security model, user portals, and reporting and analytics tools across all applications"

Although the benefit of integrating talent management functions has long been accepted, the ability for large organisations to do so has been limited by the logistical difficulty of accurately collecting, maintaining and analysing large amounts of data, and using the outcomes to drive organisational strategy.

Technology to support Integrated Talent Management (ITM) is the new phenomenon, and the way of the future. Vendors have traditionally been niche players, focusing on one aspect of talent management and building out breadth and depth within this area. As such technological solutions to support the various functions are at different stages of maturity, with each individual application further along than the fully integrated talent management application suite (Holincheck, 2007, Levensaler, 2008a, Otter et al, 2008). TMASs have arisen as vendors broadened their core solution to encompass other aspects of the talent management cycle, either by mergers and acquisitions, partnering, or internal development (Levensaler, 2008a, Otter et al, 2008, Holincheck, 2009). The market for ITM systems is evolving rapidly but as yet few TMAS providers can provide depth and breadth across all applications as merged solutions lack full integration, and in-house developed applications are less competitive (Levensaler, 2008a, Otter et al, 2008).

A fully integrated talent management system leverages the same data, process, workflow management, security model, user portals, and reporting and analytics tools across all applications. This helps organisations improve alignment, planning, decision-making and service delivery (Levensaler, 2008a).

The reasons to move to an integrated technology solution are compelling. Companies experienced revenue growth 44% higher, and outperformed their peers in their industry after adopting a partially integrated talent management approach (the same vendor used for two or more applications) (CedarCrestone, 2008a). Additionally using a seamless integrated solution rather than hobbling together a mishmash of applications saves both time and money. Lower cost impacts the bottom line and translates to improved operating income growth. Adoption of ITM, however, is limited with less than 5% of organisations using e-recruitment, e-learning, performance, succession, and compensation management from one vendor (Holincheck & Otter, 2009, Otter et al, 2008, Holincheck, 2009).

Looking to the future PageUp People believes that technology will be the key enabler of effective talent management. The HR landscape is going to change with a greater emphasis on metrics and analytics, sharing of human capital data via integrated talent management applications, and buy-in from key stakeholders. This will not happen overnight, but will rather take a step-wise approach, with different industries and even individual companies within an industry taking the steps at various speeds.

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Stepping it out

The emergence of new technology always causes ripples within the market. There are industries that embrace new technology and quickly adopt it and those that lag behind awaiting justification for change. Within industries organisations also move at different rates due to cultural ability to adopt change quickly, financial constraints, size of organisation, or caution over reliability of new technology. The PageUp People whitepaper "Utilisation of Talent Pools for External Recruitment in Australia: Results of A Two Year Study" (2006) empirically demonstrates the variation in uptake of new technology between industries, and between organisations within an industry (PageUp People, 2006). It also showed that adoption of new technology occurs in a step-wise manner. This is especially relevant for emergent technology applications such as TMAS as the breadth and depth of the integrated solution is still being developed (Holincheck, 2007, Levensaler, 2008a, Otter et al, 2008, Holincheck, 2009).

Stage 1

Integration versus maintaining breadth and depth of functionality

During stage 1 organisations will begin by integrating two or three applications to facilitate specific initiatives such as cost reduction, streamlining processes or a HR strategy shift in focus from recruitment to retention and development.

As the economy continues to slow, hard-dollar cost justification will be mandatory for new technology initiatives (CedarCrestone, 2008b) and although cost reduction via automation and system consolidation is a worthy short-term goal, organisations should avoid the pitfall of putting band-aid solutions in place. Instead they should select integrated technology solutions that provide the breadth and depth of functionality needed to manage talent across the economic cycle.
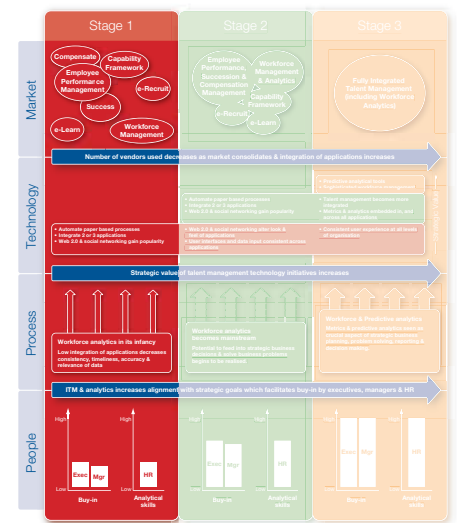
Market

- Organisations use multiple vendors because no single vendor has the depth or breadth needed in all applications. Many niche players
- Vendors continue to broaden their core solution, either through development, partnering or acquisition, to offer an integrated suite of applications

Technology

- Automate current paper based applications to improve efficiency and save costs
- Integrate two or three applications to help enable specific initiatives
- Web 2.0 and social networking gain popularity but provide limited strategic value

Process

- Talent management is not integrated and therefore provides limited strategic value to business outcomes
- Use of analytics and metrics in its infancy

People

- Limited buy-in from executives due to difficulty demonstrating ongoing ROI
- Low buy-in from line managers because technology seen as HR initiative
- Start to see new breed of HR professionals with increased analytical skills

Most organisations have talent management applications in place; however, many still rely on paper-based or excel spreadsheets for many aspects of the talent management. Although companies talk about implementing applications to

people on the same page

support strategic HCM, a recent study by Gartner found that, in reality, the focus of most talent management technology initiatives was automation of paper, Microsoft Word or Excel spreadsheet based processes (Holincheck, 2007). This supports PageUp People's findings that for many companies the first step in adopting a technology solution is to simply automate all current paper based processes. However, although automation is a necessary first step, it is not sufficient to create a strategic, bottom-line impact (Holincheck, 2007).

As organisations solve the challenges associated with automating processes, it is expected that the focus will shift to leveraging talent data to make better decisions about worker-related programs and investments. Many organisations use talent management applications and want to build on what they already have in place (Holincheck, 2007). This has forced organisations to manage a portfolio of talent management applications because, despite the hype, no single vendor has the depth or breadth needed across all applications. Many are still building in-house functionality or attempting to seamlessly integrate acquired solutions (Holincheck, 2007, Levensaler, 2008a, Holincheck, 2009). As a first step along the path to ITM it makes sense to use multiple vendors rather than sacrifice functional depth by using one vendor.

Recruitment

Recruitment continues to move into the mature phase, with growth in rate of adoption less than 5% in 2008 (CedarCrestone, 2008a). The deepest functionality and most-flexible and mature solutions come from niche e-recruitment vendors. Nearly three-quarters of organisations using recruitment technology use the software-as-a-service (SaaS) model with market penetration of target audience between 20% and 50% (Otter et al, 2008). As such it is expected that companies will continue along the SaaS path, at the expense of the HRMS solution providers, especially as the potential for ITM solutions is realised.

> "Nearly three-quarters of organisations using recruitment technology use the software-as-a-service (SaaS) model"

Given the sophistication of e-recruitment solutions, in the short-term we see companies maintaining their current solution even if the vendor does not offer ITM and using other vendors to build out the talent management functionality. For example, less than 10% of organisations use performance and recruitment from same vendor (Holincheck, 2009). The reason for this may be the fit between recruitment and the other functions is less natural than the fit between, say, performance and succession or compensation.

Given the maturity of the market PageUp People does not expect to see great changes in the requisition-to-hire process, but rather a continual evolution in candidate sourcing strategies. Job boards, strategies for sourcing passive candidates, job-matching tools, alumni, intelligent resume search, and maintaining active internal and external talent pools have the potential to provide huge value to organisations that face talent shortfalls due to the aging workforce and talent scarcity for key roles. The new look and feel of these tools, moving away from traditional resume databases towards social networking websites will continue, enabling recruiters to hire more quickly, at lower cost and with higher quality results (Bersin, 2008b).

Employee performance management

An end-to-end performance management process is designed to align employee performance with organisational goals, improve the skills and competencies of the workforce, improve the pipeline of talent and increase retention (Bersin, 2008a). The incredible potential of performance management is seldom realised. Currently 70% of organisations do not have a well established consistent process that covers all critical roles in their company, and many lack even succession planning for executives (Bersin, 2008b, Bersin, 2008a).

Given that during economic downturns organisations focus shifts from recruitment to retaining and developing top performers an increase in the uptake of performance management, compensation management and succession management solutions is expected. A new trend emerging is Employee Performance Management (EPM) software which includes performance, succession and compensation management capabilities (Holincheck & Otter, 2009). The market for EPM has grown quickly and has attracted many vendors. It is a highly competitive, dynamic market in which further consolidation is expected as market leaders compete against emerging talent management suite providers (Holincheck & Otter, 2009). Evidence for the growing demand for EPM software is the approximate 25% growth in revenue of vendors in 2008 (CedarCrestone, 2008a, Holincheck & Otter, 2009, Bersin, 2008a).

Many companies, however, are using EPM solutions simply to automate the capture of performance appraisals. A recent study found the objectives for implementing an EPM solution, as stated by customers were to automate EPM processes (65%), improve the linkage between pay and performance (49%), and develop the next generation of leaders

in the organisation (40%) (Holincheck & Otter, 2009). This supports the step-wise approach with the primary objective being to automate paper based processes, with strategic objectives (such as linking pay to business outcomes or developing a pipeline of talent) the secondary consideration. However, until organisations use EPM applications to improve organisational performance rather than simply document it, its strategic value will remain elusive (Otter et al, 2008).

> "70% of organisations do not have a well established consistent EPM process"

40% of customers have different vendors for performance and compensation management possibly due to the minimal integration requirements needed to do some level of linking pay with performance (Holincheck & Otter, 2009). As a longer-term goal a stronger link between achievement of specific business goals and rewards as performance management and compensation management are seamlessly integrated should be realised.

Learning

The training budget is often the first to be cut during times of economic uncertainty. During the 2000 recession many companies decimated their entire training department and it took three or more years to rebuild their internal expertise and capabilities (Bersin, 2008b). Organisations should avoid cutting strategic programs such as strategic leadership development investments.

Along with recruitment, e-learning is a very mature niche market (Holincheck, 2007). Also like e-recruitment, the deepest functionality and most-flexible and mature solutions come from niche e-learning vendors. Most large organisations are in the process of consolidating learning management systems (LMS) to one centralised system with SaaS model increasing the ease of adoption of LMS (Bersin, 2008b). In the near term it can be expected that companies will maintain their current solution as the level of functionality required is still so complex that TMAS vendors cannot build it from scratch (Bersin, 2008b). As such the LMS market will continue to grow separately from TMAS market in the short-term but at a slowing rate.

Looking to the future, PageUp People expects this to change as organisations realise the value of performance management and career planning linking directly to the learning catalogue and demand seamless integration between the different HR functions. Currently the LMS market is evolving in two disparate ways, LMS vendors have 1) built performance and talent management software, or 2) developed portal-based solutions which include social networking and collaborative learning features to guide employees in the context of their job or role (Bersin, 2008b).

Capability management

Studies have shown that companies employing a talent management strategy driven by an underlying competency framework achieve standout sales growth (CedarCrestone, 2008a). For integrated talent management to be truly strategic it needs to be supported by an underlying capability framework. One of the largest trends in talent management at the moment is a focus on building capability models as companies recognise its strategic importance (Bersin, 2008b).

This is expected to continue as companies understand the strategic advantage of an ITM solution. Developing a capability model creates an understanding of an organisation's core competencies, the business itself and the keys to success for each major function (Bersin, 2008b). By describing the core needs of the critical roles in the company, capability management facilitates the alignment of desires of the individual via career management with the needs of the organisation via succession management (Bersin, 2008b). In the future capability models will supply a framework to support all aspects of ITM.

Workforce management

Workforce planning tools for budgeting, planning and forecasting head-count requirements have been around for at least 15 years. Many current solutions focus more on the financial aspects of workforce planning by enabling managers to plan employee costs by forecasting full-time-equivalent, head-count, salary/pay rates, and other employee related expenses (Otter et al, 2008). Workforce management applications are gaining momentum in industries which require flexible and agile scheduling and forecasting (CedarCrestone, 2008a). PageUp People expects to see greater adoption during a protracted economic slowdown as it provides companies with the flexibility to expand and contract a contingent workforce whilst maintaining a core of skilled employees. Workforce management applications which enable organisations to identify talent gaps and determine talent management strategies have started to emerge (Otter et al, 2008). However, we see adoption as a long-term destination rather than a wide-spread occurrence in stage one.

people on the same page

Stage 2

Management buy-in accelerates integration of talent management

Automating processes is useful as it replaces manual or semi-manual approaches (Holincheck, 2007), and although it does not provide strategic advantage it is a step in the right direction. To obtain full advantage there needs to be a mind shift in how technology solutions are used. Rather than just a tool to automate existing processes they should be viewed as operational tools used to execute talent management strategies (Holincheck, 2007).

In addition to an HR management system (HRMS) or enterprise resource planning (ERP) HR solution, most organisations have implemented multiple strategic web-based applications (Levensaler, 2008a). Although useful in supporting the various HR functions, these applications are typically at various stages of deployment, serve different segments of the workforce, are supplied by different vendors and have different funding models (Levensaler, 2008a).

In addition, the disparate web-based applications have different data models and user interfaces which severely impede the ability to share critical talent data and perform talent analysis (Levensaler, 2008a). Using multiple providers as a short-term strategy allows organisations to maintain depth of functionality, but is not ideal as a long-term solution as it prevents organisations from leveraging their talent management applications strategically (Holincheck, 2007).
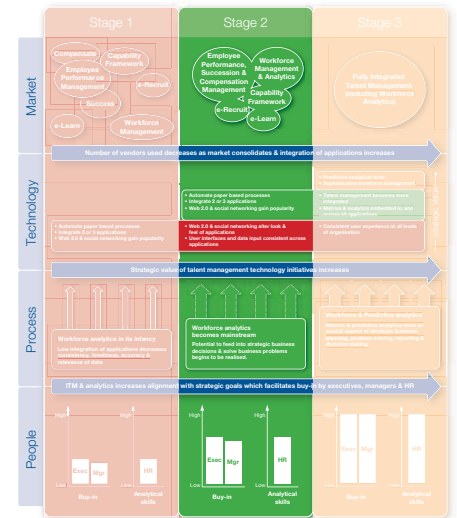
Market

- Number of vendors used by organisations is reduced as vendors widen breadth and depth of offerings either through development, partnering or acquisition.

Technology

- Talent management becomes more integrated, improving processes with shared workflow and data access
- Web 2.0 and social networking tools alter the look, feel and usability of applications. User interfaces and data input consistent across all applications creating a consistent experience for managers, HR professionals and employees.

Process

- Metrics and analytics become embedded in, and across all applications. Analytics become mainstream and are used daily. Its potential to feed into strategic business decisions and solve business problems begins to be realised.

People

- Greater buy-in from senior management as analytics provides input to key decision making process
- Greater buy-in from line managers as they see benefits of ITM
- HR practitioners are highly analytical and speak the language of business. They are viewed as strategic partners to the business.

During stage 2 the talent management market is expected to consolidate. There have been numerous mergers and acquisitions in the HCM market over the past several years and we expect this trend to continue and even accelerate as smaller vendors fall prey to the current economic climate, and vendors with stronger financial positions buy additional market share or expand their talent management offerings.

As organisations evaluate their existing HR infrastructure, an increased shift from the support of disparate applications to the implementation of a more integrated solution will occur. Organisations will reduce the number of vendors to two or three strategic suppliers which balances the need for integration with desired depth of functionality.

people on the same page

Although there has been a lot of vendor hype about integrated talent management applications, customers have bought only one to three modules of the suite at a time. More expansive buys are beginning to be more frequent but are still the exception (Holincheck, 2007). Gartner have predicted that by 2012, 50% of customers will consolidate their talent management application portfolio down to one or two vendors as providers get close enough to best-in-class capabilities across the whole talent management application suite (Holincheck, 2007).

One of the most revolutionary aspects of the next generation of ITM solutions will be the embedding of Web 2.0 and social software tools within talent management solutions. This will change the look, feel and usability of applications. The integration of social profile data with talent profile data will provide a richer view (Holincheck & Otter, 2009). The leveraging of rich internet application tools will enable a more graphical and engaging experience for managers and employees (Holincheck & Otter, 2009).

Recruitment

During stage 1 many organisations will use separate vendors for recruitment and the other HR functions. In stage 2 PageUp People expects to see recruitment integrated with the other HR functions as vendors acquire, partner or build functionality. This will greatly facilitate filling roles internally as timely, accurate and relevant data becomes available from performance, career development and succession management applications. This will expedite searches, allowing HR recruiters and line managers to quickly locate talent and access their readiness for the role. The candidate profile created during recruitment will become the employee profile, continuously updated and expanded with data from the other talent management applications.

Employee Performance Management

At the start of 2009 46% of organisations used at least performance and succession management from the same vendor, with 31% using the same vendor for performance and compensation management (Holincheck & Otter, 2009). In stage 2 PageUp People expects that companies will embrace an integrated performance, compensation and succession management solution and use it more strategically. Performance management solutions will move beyond just aligning individual objectives with organisational goals, to holding employees accountable for business outcomes and rewarding on this basis. Performance management used in conjunction with compensation management will enable pay-for-performance (Otter et al, 2008) with a direct, casual link between performance and compensation established. Performance management integrated with succession management will improve identification of high potential employees. Integrating this information with other applications such as e-recruitment and e-learning will enable the organisation to better understand the quality of hire and effectiveness of training (Otter et al, 2008).

Succession management

Succession management differs from succession planning; it is a proactive and strategic process for developing a pipeline of talent. It is owned by the CEO and driven from the top down rather than being HR-driven. It is more than just a list of high potentials for key positions; it is the development and coaching of individuals in alignment with strategic business goals. It takes an enterprise wide perspective on talent development at all levels rather than a narrow focus on key or executive roles. During stage 2 PageUp People expects succession management to really come to the forefront as integrated data from the performance management and career planning applications makes this possible. The benefits of expanding succession management to an organisation wide phenomenon are compelling with a recent study demonstrating significantly higher sales growth (CedarCrestone, 2008a).

Learning

During stage 2 the current market divergence in e-learning is expected to converge, with social networking and e-Learning 2.0 solutions integrating seamlessly with performance and career management. The term e-Learning 2.0 is used to refer to new ways of thinking about e-learning inspired by the emergence of Web 2.0. Where conventional e-learning systems use internet technologies to deliver static content to students, e-learning 2.0 places increased emphasis on social learning and use of social software such as blogs, wikis, podcasts and virtual worlds such as Second Life (Karrer, 2006, Karrer, 2007). Social learning platforms will provide employees with the ability to establish a social profile that reflects their expertise and interests; create, discuss, share and capture learning content as learning objects; organise and find learning objects from a variety of sources; interact with peers in their social network; and engage in experience-based learning exercises (Otter et al, 2008).

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At the start of 2009 this technology was in the emerging stage with market penetration of less than 1% (Otter et al, 2008), and less than 5% of HR and L&D organisations having a clear social networking strategy (Bersin, 2008b). This is expected to change as the awareness of informal social settings and their impact on learning grows, and employees demand Web 2.0 features to support collaborative learning environments (Otter et al, 2008). A note of caution: if employee driven learning is non-directive, rather than providing strategic benefit to the organisation it may be distractive and distributive to day-today work. As such, it is crucial that L&D practitioners guide employees and link training initiatives to performance, career and succession management processes.

In addition to integration with performance tracking and management systems, PageUp People expects to see widespread adoption of planning tools to identify skill gaps at departmental and individual level.

Workforce management

The limitation of traditional workforce planning tools is they have not been used to identify talent shortfalls in workforce requirements, or how requirements change as business needs change (Otter et al, 2008). The new breed of workforce management software is more strategic as it creates a more in-depth view of supply and demand for talent, and how these needs change as business drivers change (Otter et al, 2008). In 2008 penetration was less than 1% and the technology classified as emerging (Otter et al, 2008). During stage 2 greater adoption by companies is expected as alignment with sophisticated metrics and analytics tools, and integration with other talent management applications enables organisations to identify talent gaps and determine appropriate talent management strategies such as recruitment or development to fill the gaps.

Workforce analytics

Workforce analytics applications have been around for a while and are classified by Gartner as entering the "early mainstream" phase with market penetration of 17% to 50% of the target audience (Otter et al, 2008). PageUp People would argue, however, that metrics and analytics should not be a bolt-on application. To provide true strategic value it should be embedded in the TMAS, and should provide more than ad hoc reports or standard reports for regulatory and control requirements. Workforce analytics is the missing link to strategic talent management. To unlock the strategic value, a well-integrated set of talent management applications must provide data which can be used to address specific business issues and drive specific business outcomes (Holincheck, 2007, Otter et al, 2008).

Historically, sophisticated charting solutions used for analytical and strategic work have been supplied by niche vendors as add-ons to talent management applications. Talent management vendors are just starting to enhance charting and visualisation capabilities in their products (Otter et al, 2008). The representation of data through web-based, highly visual and interactive hierarchical tools will quickly become a key requirement when organisations are selecting an ITM solution. Information extracted from the talent management solution, will be displayed in more intuitive ways to be used for organisational charting, succession planning, analytics and scenario analysis.

Web 2.0 and social networking

Web 2.0 innovations are at the early adoption stage. Employees can interact with each other using tools such as instant messaging, chat, blogs, wikis, social bookmarking, newsfeeds, and virtual worlds within a secure environment. Using Web 2.0 tools is part of the daily routine for many, especially younger, workers (CedarCrestone, 2008a). It is predicted that the adoption of web 2.0 tools will become mainstream as more Gen Y enter the workforce and expect to use similar tools at work and home (CedarCrestone, 2008a, Bersin, 2008b). It can be expected that these technologies will allow individuals to take a key role in their own development. This will generate a cultural change about how employees work and interact with each other potentially creating a more open and collaborative environment (Otter et al, 2008).

Although Web 2.0 and social networking tools are expected to change the culture of organisations they are not necessarily strategic HR tools. They are effective ways to disseminate information, receive collaborative feedback, and build and maintain networks. Despite the hype examples of fundamental transformations driven by social networking in the organisation remain elusive (Otter et al, 2008). Although the benefits of social software solutions are moderate, it has the potential to have high impact on the working landscape (Otter et al, 2008).

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Stage 3

Workforce analytics, business planning and talent management aligned

Web 2.0 and social networking tools will alter the look, feel and usability of applications creating a richer experience for managers, HR professionals and employees. A shift in focus from middle administration to top executive level and across all employees will facilitate the uptake of talent management processes. As organisations move to an integrated talent management solution with shared workflow and data access, their ability to make strategic human capital decisions will improve. Analytics will become mainstream and the use of consistent, integrated, accurate data will greatly facilitate business decisions and problem solving.

However, to achieve the greatest strategic value organisations need a technology solution that helps to predict, mitigate and solve critical business issues, for example as external business drivers change what is needed to avoid a skill shortage or maintain the pipeline of talent (Levensaler, 2008a). Web-based solutions and first generation TMAS will be able to report on historic information, but will be limited in their ability to forecast workforce needs and identify key trends (Levensaler, 2008a). This will change as stage 3 heralds in the next generation of ITM applications, with embedded analytics, which can collect, analyse and utilise massive amounts of consistent, quality data to predict, alleviate and resolve vital organisational objectives.
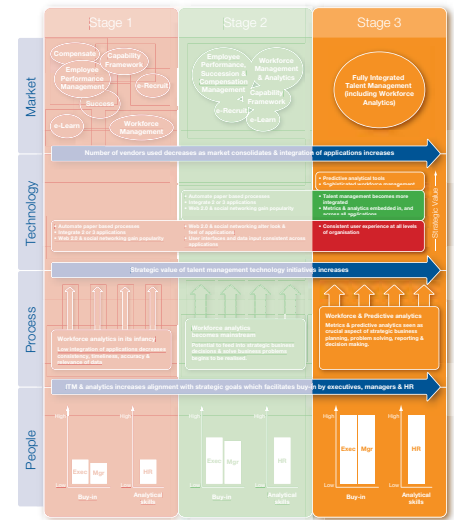
Market
- Fully integrated talent management solutions are available from single vendor.

Technology
- Predictive technology and sophisticated analytical tools used to align strategic talent planning with organisational goals and objectives.

Process
- Analytics and metrics seen as a crucial aspect of strategic business planning, problem solving, and decision making and reporting.

People
- Senior management buy-in cascades the adoption of ITM throughout the organisation.
- HR professionals partner with management team to drive business strategy.

The fully integrated talent management solution will provide a level of consistent, quality rich talent data not previously seen. It will increase visibility of skill shortfalls and gaps in the pipeline of talent. It will increase the flexibility for accessing talent from within and outside the organisation. It will directly link pay with performance. It will allow organisations to make more informed and objective decisions.

An integrated platform supplied with large volumes of quality data, coupled with predictive technology and sophisticated analytic tools will provide intelligent and contextual experiences for users. These will be used to align strategic talent planning with organisational goals and objectives. This will allow companies to solve critical business problems, and respond quickly to business change and opportunity.

Workforce management will move beyond its traditional workforce planning use. During stage 3 PageUp People expects to see mainstream adoption by organisations as alignment with sophisticated analytics tools, and integration with other talent management applications enables organisations to identify talent gaps and determine appropriate talent management strategies such as recruitment or development to fill the gaps. Furthermore, we expect predictive software

that enables modelling of different scenarios will allow organisations to identify 1) expected talent shortfalls in workforce requirements given the current business environment, and 2) changes in requirements if business drivers change.

Workforce analytics

Workforce analytics and predictive analytics are still in the early adoption stage (CedarCrestone, 2008a). A recent study has shown, of those organisations employing metrics, 36% run reports on a set basis, or provide ad hoc reports about a third of the time (32%). These reports, however, are predominately used by technology staff and analysts rather than business managers or HR managers (CedarCrestone, 2008a). For the majority of companies metrics are not very well incorporated into HR functionality. The direct use by mangers, of integrated data from multiple sources, without support from IT, HRIT or analysts, was found in only 1% of organisations (CedarCrestone, 2008a).

When using a multiple vendor model, there is shared data used across multiple applications. A core HRMS solution usually provides the system of record for basic and organisational hierarchy data with competency models, job profiles and individual talent profile data typically stored in each talent management application (Holincheck, 2007). Obviously this creates logistical issues for keeping the data in sync as not only does it require integration between numerous vendors, the level of detail and way in which the data is captured may differ between applications. The lack of consistent and integrated talent profile data makes it difficult to analyse and use strategically especially as detail mismatches are amplified when trying to perform correlation or causation analysis between changes in human capital related variables and business outcomes (Holincheck, 2007).

In stage 3, the fully integrated talent management solution will provide a level of consistent, accurate, quality rich talent data not previously seen. This will revolutionise the working relationship between HR professionals, executives and manager as the strategic advantage of workforce analytics and planning is realised. The next generation of ITM applications, with embedded analytics, will collect, analyse and utilise massive amounts of consistent, quality data to predict, alleviate and resolve vital organisational objectives. This will be the next step on from the web-based solutions and first generation TMAS which can report on historic information, but are limited in their ability to forecast workforce needs and identify key trends.

Causal links and models which can predict organisational performance improvements from automation are just starting to be developed (CedarCrestone, 2008b). The next generation TMAS will contain predictive platforms allowing strategic talent planning (Levensaler, 2008b). This will enable faster deployment of human capital and HR initiatives such as training, recruitment, or development in response to data analysis.

Workforce-decision-support specific tools and methods are a new phenomenon which forms part of a broader set of capabilities needed for workforce analytics. They can be used to identify opportunities to evaluate, optimise and support planning activities related to human capital (Otter et al, 2008). In 2008 their use was limited to HR analytics professionals with market penetration of less than 1%, with only a handful of vendors offering these products and services (Otter et al, 2008). Workforce decision support is transformational as most organisations do not leverage their HR data to make fact-based decisions about their human capital investments (Otter et al, 2008). These tools and methods can drive how companies hire, develop, reward and motivate employees to help lower costs and significantly increase revenue (Otter et al, 2008). In stage 3 workforce decision support tools will have a central role in human capital and business decisions.

They will be used to help organisations understand key questions such as:

- Does training and development targeted at specific employee populations improve performance, increase revenue or increase proficiency levels of desired competencies? If not, training can be cut or altered to increase effectiveness.

- What is the impact on revenue of attracting and retaining top talent?

- Is there a correlation between the movement of key individuals within the organisation and business outcomes?

- Do pay for performance initiatives increase revenue, reduce costs, improve customer service or lead to greater product innovation?

Looking through the Lens

To obtain the full value from investments in ITM technology, organisations need to evolve. This will occur as executives realise the strategic value of HR and their belief cascades throughout the organisation, HR professionals become more business focused and add quantitative capabilities to their skill set, line managers adopt ITM principals as part of their day-to-day work ethos, and employees become fully engaged in their own development. This will be possible due to applications which are fully integrated and easy to use. This will allow real time reporting of information which is data rich and strategic, via a system which provides a graphical and engaging experience for managers and employees.

The biggest technology trend is the leveraging of rich internet application tools to enable a more graphical and engaging experience for managers and employees (Holincheck & Otter, 2009). The next generation systems are designed to drive business transformation by encouraging use by everyone in a regular and daily way (Bersin, 2008a).

Executives/senior management

Historically senior management has often placed less emphasis on HR initiatives than other initiatives within the business. This has been due to a number of reasons including lack of clarity as to the financial benefits of implementing new technology (Sullivan, 2009), resistance from middle management and line managers to take on additional employee development tasks (Otter et al, 2008), inability of HR to communicate the strategic value in terms management understands (i.e. dollar impact) (Sullivan, 2009), lack of resources to manage change (PageUp People, 2006) or the inability of HR technology to deliver what it promises (CedarCrestone, 2008a). As we look towards the future this is expected to change. The current economic slowdown should be viewed as an opportunity by senior management to improve HR strategies, strengthen the workforce and invest in technology that will sustain their relevance in the upturn (Morello, 2008).

Because of the current economic challenges, the first step for many organisations will be to focus on short-term productivity improvement and cost and risk reduction. Investment in talent management applications can help, in the short-term, to improve employee productivity and lower costs whilst reducing risk in critical roles (Holincheck, 2008). This will compel many organisations to adopt talent management solutions.

Short-term investments in talent management applications build the foundation for longer-term benefits as the integration of data from the various functions enables organisations to understand how talent-related investments are related to, and can be used, to drive business outcomes. This, however, will only be achieved if metrics and analytical tools are in place to facilitate the conversion of HR related data into data which links to business drivers such as revenue, cost reduction, strategic market advantage, return on equity (ROE), and profitability. As such, senior executives will seek human capital related metrics to support business decisions. This will drive the development of CEO and CFO tools specifically tailored to provide information on how workforce management, recruitment, training, development, compensation and succession management initiatives support strategic organisation goals, for example:

- Is workforce management providing enough transparency around the supply and demand for talent thus allowing the organisation to quickly react as business drivers change?

- Is it cheaper to recruit individuals with specific skills or bring in less skilled individuals and train them in-house? Do the training programs deliver increases in productivity?

- Are performance and compensation goals linked to organisational performance objectives leading to higher profitability?

- Is succession management and career planning reducing turnover and what is the dollar saving for retaining talent and maintaining productivity (compared to the cost of recruiting and loss of productivity when key individuals leave)?

Senior management buy-in will cascade the adoption of ITM throughout the organisation. This will occur as executives realise the value of an integrated talent management system which 1) aligns strategic talent planning with organisational goals and objectives, and 2) demonstrates through sophisticated analytics the ongoing ROI of having an ITM solution. This in turn will increase the amount of consistent, quality talent data available to predict, alleviate and resolve vital organisational objectives allowing companies to respond quickly to business change and opportunity.

Line managers

Initially, low buy-in from line managers who remain unconvinced as to the value of talent management technology investments, which are seen as HR initiatives, can be expected. From a line manager's point of view, there are multiple applications with multiple user interfaces that do not work in the same way (Holincheck, 2007). Inputting and accessing data in different ways can be confusing and frustrating, and provides limited scope for leveraging strategic advantage from the human capital data. If managers and employees do not use the talent management system, either because it is too hard, or they don't see the value, then it becomes difficult to consistently implement talent management strategies (Holincheck, 2007). As companies move towards integrated talent management solutions with consistent user interfaces greater buy-in from line managers is expected as they see benefits of ITM.

In addition to enabling the process through automation, organisations benefit from the unification of data and the consistency in user experience, for managers and employees, across all applications. Web 2.0 and social networking tools embedded in the ITM solution will help facilitate up-take by line-managers as they will be able to obtain much richer career history, performance, skills, development, and career interests information than is currently available. For example, employee information could be displayed in organisation chart form with links to employee profiles, career goals, performance reviews, development plans and succession management planning.

Integration with social networking tools means managers can capture performance management feedback throughout the year in the online system without logging into the performance management system (Bersin, 2008a). This will make performance management easier, leading to on-going feedback and development rather than once-a-year reviews.

PageUp People expects to see managers adopting a more pro-active role in recruitment. The integrated nature of the solution enables organisations to identify best-fit candidates. Job-specific competency models and job descriptions can be shared between line managers and recruiters to build behavioural assessments (Bersin, 2008a). The performance management systems and capability framework will be used to build profiles for recruitment by identifying characteristics of high performers (Holincheck, 2008). Additionally an integrated talent management solution enables organisations to fill a greater number of positions through internal mobility. Line-mangers will be able to use the data from performance management and career planning to search for internal career candidates before looking for external hires (Bersin, 2008a). Increased internal mobility decreases the need for external hires, reducing cost and improving employee engagement (Holincheck, 2008). It will also decrease the reliance on recruitment agencies.

The compensation process will be simplified for managers as the ambiguity between pay and performance diminishes. The ability to directly link pay to performance by setting clear objectives aligned to organisational goals, and having a transparent, unambiguous system in place to measure outcomes will greatly increase procedural justice (the process was fair) and distributive justice (the outcome was fair) for employees. This will improve productivity, increase employee engagement and decrease turnover.

HR Managers

Despite its potential, talent management functions often suffer from relatively low corporate status because too many HR professionals lack the understanding of the most effective way to demonstrate the revenue or cost impact to senior executives (Sullivan, 2009). The inability of many HR professionals to understand, analyse and utilise data to build business cases limits their ability to become strategic partners to the business.

Talent management must build a strong alliance with the CFO's office and learn to utilise the tools that profit centres such as sales and finance have successfully used to build their credibility. Because the language of business is expressed in

people on the same page

dollars, percentages are often not powerful enough to drive action – for example: turnover cost the company $28 million in lost revenue for the year sends a stronger message than annual turnover was 22% (Sullivan, 2009). HR managers will be seen as important partners to the business as they adopt the language of business, talking in terms of revenue growth, cost reduction and profitability. Their status as strategic partners will further improve with the adoption of workforce analytics.

Workforce management and analytics require quantitative skills that are currently not present in most HR departments (Holincheck, 2008, Sullivan, 2009). Organisations need to build up the quantitative skills of their HR professionals by either hiring or internally transferring non-HR people with backgrounds in statistical analysis and training them in HR specifics (Holincheck, 2008, Otter et al, 2008), or developing current HR employees. The future should see a new breed of university graduates who in addition to being well-versed in HCM theory and organisational strategy are also strong analytically.

Resistance from the different organisational HR silos in the short-term to move to an integrated solution is expected, for two reasons: 1) unwillingness to give up capacity if they switch to a TMAS solution with less functionality, and 2) reluctance to switch to an application with different user interfaces and functionality. Of the different functions of the talent management cycle, larger investments have been made in e-recruitment and e-learning, as such those functional HR silos are reluctant to give up their preferred solutions (Holincheck, 2009). This will diminish over time as talent management solutions become truly integrated and build out breadth and depth across all applications.

Social networking and web 2.0 software will change the role of recruiters and trainers, as straight delivery of information will no longer be enough. Practitioners will be required to be information architects who facilitate communities, networking and employee self-development (Bersin, 2008b).

Social networking and web 2.0 software will also change the face of recruitment, performance, career and succession management. This raises a number of challenges for HR as there is a need to define guidelines for boarder social software use such as what practices should be encouraged, or prohibited? How to reward for contribution and collaboration? How to ensure privacy? (Otter et al, 2008). HR leaders will have to work with employees, managers and the legal department to build policies and procedures that enable employees to use these tools responsibly, and provide benefit for the broader organisation (Otter et al, 2008). On a positive note, ITM embedded with Web 2.0 functionality will provide information in a more intuitive way on career history, skills, competencies, performance, development needs, and career interests that is much richer than is currently available.

The volume of data inputted from the different talent management applications by employees, managers and HR professionals could be staggering, especially if daily-data input model is adopted. For this information to be useful, and allow managers, executives and HR to use it for business planning it must be relevant, timely, consistent across applications, and accurate. This raises the question of who maintains the data to remove errors, inconsistencies and out-of-date information. For the greatest organisational benefit the flow of data should be centrally managed. Even if employees and managers remain the owner of the talent profile data, HR should have a key role as custodians.

Employees

Younger workers are more idealistic in their expectations, seeking meaningful work, collaborative work environments, and self-development. Gen Ys are expected to change jobs 12 to 15 times during their careers and even careers several times (Bersin, 2008b). More than 70% of companies believe they are lagging in meeting the learning and information needs of younger workers (Bersin, 2008b). This will drive the need for adoption of social networking technology and learning-on-demand (Bersin, 2008b). The adoption of integrated talent management will provide organisations with the tools to engage and retain the younger workforce.

Historically managing human capital has sat in the realm of HR with input by line-managers in terms of performance reviews and training and development requirements. Employee input, for the most part, has been limited. That is set to change with the incorporation of web 2.0 and social networking tools into talent management applications. This will

enable employees to feel more engaged and empowered because they are a proactive part of the process of managing their own development and career.

Individuals will create a candidate profile, and once they join an organisation and become a member of the internal social network the job profile becomes richer, more extensive and powerful for development and succession management (Bersin, 2008b). Portals and rich graphics will make it easier to navigate through the talent management system. Consistent user interfaces for inputting and accessing data across multiple applications will facilitate use by less-technology savvy users, and be demanded by the younger generation who expect to use similar tools in, and out, of work. Wikis and blogs will create collaborative work environments which will change the culture of organisations.

Social networking and e-Learning 2.0 solutions will dramatically change the learning experience for employees. Although on-line learning is not new, historically it has often been overwhelming as employees were presented with a large array of training courses without contextual guidance. Web 2.0 tools and portals will link employees to relevant role, competency and skill content. Social learning platforms will provide employees with the ability to establish a social profile that reflects their expertise and interests; create, discuss, share and capture learning content as learning objects; organise and find learning objects from a variety of sources; interact with peers in their social network; and engage in experience-based learning exercises (Otter et al, 2008).

Web 2.0 tools integrated with talent management applications become one way that employees can find knowledge or skills from others within the organisation. Employees can pro actively manage their careers by finding new positions and others with the same skills to provide advice or mentoring (CedarCrestone, 2008b). Employees feel more engaged because they can create their own development plan (Bersin, 2008a) and they know that management and HR will access this information when developing succession management plans and performing internal recruitment searches.

Summary

Technology solutions can be a great enabler – even if this is not the organisation's strategic investment focus – by improving efficiency (Austin, 2008). A technology solution alone, however, does not provide a strategic advantage: there needs to be a solid underlying process in place that has full buy-in from management. The best talent management applications implemented with the best processes will not achieve desired business outcomes if they are not used appropriately by managers and employees (Holincheck, 2007). Analytics, competency models and coaching are vital to help managers and employees obtain real value from the applications (Holincheck, 2007). If managers and employees do not use the talent management system, either because it is too hard, or they don't see the value, then it becomes difficult to consistently implement talent management strategies (Holincheck, 2007). The PageUp People whitepaper "Integrated Talent Management: Optimising the Employee Life Cycle" (2008) outlines how to gauge how well an organisation adopts and integrates Talent Management via a Talent management audit.

Currently, the majority of organisations cannot be truly strategic in their use of talent management applications as the technology to support a fully integrated suite of applications, with consistency of user experience across all applications, unification of data, and sophisticated analytical tools does not exist.

This will change in the future as it becomes possible to implement a well integrated set of talent management applications supported by a common capability framework. Analytical tools and predictive analytical platforms will make it possible for organisations to understand how investments in human capital affect business outcomes, and to react to economic levers with a speed not previously possible.

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