THE COMPETITIVE ADVANTAGE OF EFFECTIVE TALENT MANAGEMENT
TALENT MANAGEMENT IS A DRIVER OF ORGANISATIONAL SUCCESS

As revealed by PMI’s 2013 Pulse of the Profession™, an organisation’s ability to meet project goals, timelines, and budgets significantly impacts its ability to thrive. While the imperative to improve project management success is evident, organisations are faced with various constraints:

- A “do more with less” economic climate
- Expanding global priorities
- Necessity to enable innovation

Despite existing constraints, there are lessons that can be gleaned from high-performing organisations and their approaches to project, programme, and portfolio management. PMI’s 2013 Pulse of the Profession™ highlights two activities that bolster organisations’ project success rates:

- Alignment of project management to organisational strategy
- Cultivating project management talent

Yet, despite the promise of project success, organisations are currently not placing adequate emphasis on these activities. In a climate of economic uncertainty, growing global priorities, and an increasing necessity to enable innovation, activities that support organisational success should not be overlooked.

PMI’s Pulse of the Profession™ In-Depth Report: Talent Management explores the link between alignment of talent management strategy to project management performance and organisational success. It reveals that high-performing organisations are more than twice as likely than low-performing organisations (69 percent and 31 percent) to have talent management programmes aligned to organisational strategy.

Alignment of talent management to organisational strategy has tangible benefits, including:

- Greater project success rates
- Fewer dollars at risk

In particular, the reduction of risk that can be attributed to significant or good alignment of talent management to organisational strategy is eye-opening — organisations that do it well risk 50% fewer dollars on their projects.

<table>
<thead>
<tr>
<th>ALIGNMENT OF TALENT MANAGEMENT TO ORGANISATIONAL STRATEGY</th>
<th>DOLLARS AT RISK</th>
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<tbody>
<tr>
<td>SIGNIFICANT/GOOD ALIGNMENT</td>
<td>US$100 Million</td>
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<tr>
<td>MODERATE/WEAK ALIGNMENT</td>
<td>US$150 Million</td>
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<tr>
<td>PROJECT SIZE</td>
<td>US$1 Billion</td>
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![Figure 1. Project dollars at risk in organisations by level of alignment of talent management to organisational strategy.](image-url)
TODAY’S ENVIRONMENT DEMANDS IMPROVED TALENT MANAGEMENT

As reported by PMI’s *Project Management Talent Gap Report*, between 2010 and 2020, 15.7 million new project management roles will be created globally across seven project-intensive industries. Along with this significant job growth will be a momentous growth in the economic footprint of the profession, which is slated to grow by US$6.61 trillion. While these figures are impressive, if organisational leadership fails to equip employees with the skillsets required to fill future project management roles, US$344.08 billion in GDP will be at risk.

As a result, CEOs are shifting their attention to human capital and talent management activities:

1. CEOs agree that human capital is the number one challenge globally
2. 71 percent of CEOs see human capital as a key source of sustained economic value
3. 77 percent of global CEOs anticipate making changes to their talent management strategies, with 23 percent planning major changes

Despite the shifted attention to human capital and talent management by their CEOs, many organisations have already begun to experience the adverse effects of this talent gap. Inability to fill these positions has led to:

- 31% Decreased product or service delivery quality
- 29% Difficulty innovating effectively
- 27% Cancelled or delayed key strategic initiatives
- 25% Inability to achieve growth forecasts
- 20% Inability to pursue a market opportunity

Three critical project management skillsets needed for successful projects are technical project management skills, leadership skills, and strategic and business management skills. Two in three organisations (66 percent) found the greatest difficulty in finding resources with adequate technical project management skills. However, many organisations (over 90 percent) believe that technical project management skills and strategic and business management skills are teachable, and as such, are likely to search for talent with good leadership skills whose technical project management and strategic and business management skills can be honed through training.

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1. The Conference Board’s CEO Challenge 2013
2. The Conference Board’s CEO Challenge 2013
3. IBM’s 2012 Global CEO Study
Training and career development, recruiting, and hiring contractors all constitute talent management activities that can help organisations increase project management performance. Yet, what is crucial to talent management efficacy is its close ties to organisational strategy. Unfortunately, only 45 percent of organisations have “significant” or “good” alignment of talent management programmes to organisational strategy, indicating that 55 percent of organisations must still take lengths to improve the efficacy of their talent management programmes (as referenced in Figure 3).

**HOW TALENT MANAGEMENT AFFECTS ORGANISATIONAL SUCCESS**

**INCREASED SUCCESS = REDUCED RISK**

The level of talent management alignment to organisational strategy has a clear impact on the success of projects meeting their original goals and business intent. Organisations in which talent management is aligned to organisational strategy have an average project success rate of 72 percent, while organisations in which talent management is not effectively aligned to organisational strategy have an average project success rate of 58 percent. The difference of 14 percentage points in project success rates equates to risking 50 percent more project dollars when talent management is not effectively aligned with strategy.

**FINANCIAL BENEFIT OF ALIGNING TALENT MANAGEMENT TO ORGANISATIONAL STRATEGY**

**Figure 3.** Organisations’ level of alignment between talent management and organisational strategy.

**Figure 4.** Project dollars at risk decrease as the alignment of talent management to organisational strategy increases.
### ADDITIONAL ORGANISATIONAL BENEFITS

Organisations that have successfully aligned talent management to organisational strategy reap additional benefits – they are much more likely to be successful at:

<table>
<thead>
<tr>
<th>MEETING COMMON TALENT CHALLENGES</th>
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<tr>
<td>Engaging people to deliver organisational goals</td>
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<td>Developing high performance teams</td>
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<td>Managing talent through change</td>
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<tr>
<th>IMPLEMENTING CAREER PATHS</th>
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<td>Managing performance effectively</td>
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<td>Developing high potential individuals</td>
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<td>Selecting best talent for internal promotions</td>
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<td>Succession planning</td>
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<tr>
<td>Career progression from new hire to advanced project manager</td>
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<td>Career progression from advanced project manager to senior project manager</td>
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<td>Career progression from senior project manager to senior management</td>
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<th>REDUCING COMMUNICATION CHALLENGES</th>
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<td>Communication across disciplines</td>
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<td>Communication across age cohorts</td>
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<th>EFFECTIVELY FILLING OPEN POSITIONS AND MANAGING CONTRACTORS</th>
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<tr>
<td>Identifying high potential employees</td>
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<tr>
<td>Assessing best talent to join the organisation</td>
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<tr>
<td>Finding talent externally</td>
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<td>Success with contractors</td>
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Organisations with significant or good alignment of talent management to organisational strategy are much more likely than other organisations to have key talent management practices in place:

1. Are more likely to have various talent management offerings

   They are more likely to offer employees multiple forms of talent management offering. In particular, organisations with significant or good alignment are more likely to have talent management programmes around training and development.

   - Train in soft skills: 85% (significant/good) vs 69% (moderate/weak)
   - Make training a priority: 84% (significant/good) vs 66% (moderate/weak)
   - Evolve talent programme: 73% (significant/good) vs 54% (moderate/weak)

2. Are more likely to have career paths for project manager employees

   They are more likely to have multiple project management career paths: one which retains project managers and one which elevates those with business acumen to higher levels of the organisation.

   - Senior project manager to senior management: 94% (significant/good) vs 64% (moderate/weak)
   - New hire to advanced project manager: 83% (significant/good) vs 62% (moderate/weak)
   - Advanced project manager to senior project manager: 77% (significant/good) vs 46% (moderate/weak)

3. Have integrated talent management across the organisation

   They are more likely to integrate Talent Management across their organisation using various methods, including performance management, learning and training, leadership development, and recognition rewards.

   - Integrate talent management across organisation: 62% (significant/good) vs 10% (moderate/weak)
   - Performance management: 66% (significant/good) vs 49% (moderate/weak)
   - Learning and training: 61% (significant/good) vs 44% (moderate/weak)

4. Measure talent management outcomes

   They are more likely to measure both financial and non-financial Talent Management outcomes that affect an organisations’ ability to remain strategically aligned with organisational goals and values.

   - Revenue/profit growth: 75% (successful) vs 60% (unsuccessful)
   - Staff turnover/attrition: 58% (successful) vs 35% (unsuccessful)
   - Employee satisfaction/engagement: 75% (successful) vs 45% (unsuccessful)
   - Employee retention: 66% (successful) vs 45% (unsuccessful)
THE WAY FORWARD

Despite the job growth in the project management profession, a gap still exists in the number of professionals fully prepared to lead and manage projects. This talent gap is negatively impacting the growth and profitability of organisations. Quality, innovation, strategic projects, and market opportunities have all been adversely affected by that talent scarcity.

To ensure success, organisations need to both recruit smartly and align their people strategically.

An effective approach organisations can take is recruiting potential project managers with strong leadership skills whose technical skills and strategic and business management skills can be enhanced through training.

Most would agree that smart investments are those that are aligned with the organisation’s strategies. However, few organisations have significant alignment of their talent management programmes to organisational strategy. High-performing organisations understand the value of aligning talent management to organisational strategy and are already realising these benefits:

- Greater project success rates
- Fewer project dollars at risk

Organisations with strong alignment of their talent management programmes to strategy are focusing their efforts on:

- Prioritising and evolving talent management offerings
- Clearly defining career paths
- Integrating talent management programmes across the organisation
- Measuring talent-related outcomes

Aligning talent management to organisational strategy may create the competitive advantage required to sustain and grow an organisation.

ABOUT PMI’S PULSE OF THE PROFESSION™ IN-DEPTH REPORT: TALENT MANAGEMENT

PMI’s Pulse of the Profession™ In-Depth Report: Talent Management research was conducted in January 2013 among 277 project, programme, and portfolio management directors, managers, and practitioners who make or strongly influence hiring decisions for project, programme and portfolio managers for their organisation or who design and/or administer their organisation’s talent management programme.