



PMI®
**THOUGHT
LEADERSHIP** Series

Rally The Talent To Win:

Transforming Strategy Into Reality

An Economist Intelligence Unit research program sponsored by PMI

ABOUT THE REPORT

This report draws on two main sources for its research and findings:

1. A survey of 548 senior executives from a wide range of industries and functions. Fifty-two percent of respondents are C-level executives, with the remainder from senior management. Respondents are also globally diverse: 31% from North America; 28% from Asia-Pacific; 27% from Western Europe; with the rest from Latin America, Eastern Europe, the Middle East, and Africa. Fifty-eight percent of participants work for companies with more than \$1 billion in annual revenue; 26% for businesses with more than \$10 billion.

2. A series of in-depth interviews with corporate leaders and academic experts. We thank them for their valuable insights.

Interviewees

Cassandra Frangos, Head of Global Executive Talent Management, Cisco

Robert Kovach, Director, Global Executive Talent Management, Cisco

Janina Kugel, Head of Personnel Strategy and Executive Development, Siemens

N.S. Rajan, Group Chief Human Resources Officer, Tata Sons

Doug Ready, Senior Lecturer, MIT Sloan School of Management, and Founder, International Consortium for Executive Development Research

Susan Steele, Global Chief Human Resources Officer, Millward Brown

Philip Zimmermann, Director of Global Talent Management, Evonik Industries



EXECUTIVE SUMMARY

It is essential to the success of any endeavor—whether it be sports, war or business—to employ individuals capable of implementing and executing strategy. However, many organizations “talk the talk” on the value of talent without taking effective action to hire, develop, and retain the people needed to turn corporate strategy into reality. According to a global survey of 548 executives, conducted by The Economist Intelligence Unit and sponsored by the Project Management Institute (PMI), only 17% of respondents say their talent management strategies are quick to react to changing business conditions, whereas for one-third, effective response takes several years or longer. Such widespread weakness takes its toll: On average, for all companies surveyed, talent deficiencies significantly hamper 40% of strategy implementation efforts.

Rally the Talent to Win: Transforming Strategy into Reality examines how well companies are managing strategic talent¹ and what they can do to improve in an area where so few perform well. In particular, the report draws on lessons from the differences between organizations that say they consistently have the talent needed to implement strategy (i.e., Strategic Talent Leaders) and other firms. The key survey findings include:

- **Although most executives recognize the importance of considering talent management as connected to strategy, it receives too little attention.** Seventy-two percent of respondents say that talent management will become increasingly important to strategy implementation and execution in the next three years. Seventy-five percent say improving talent management processes will be a leading challenge for boosting strategic effectiveness during that period. Yet experts interviewed for this study allude to a lack of sustained focus on the area and survey respondents agree: just 41% indicate their organization has an understood and accepted approach to strategic talent development. And only a minority of those surveyed report that their organizations provide adequate financial resources, C-suite attention, or employee time to manage and develop the talent needed for strategy implementation.
- **Companies need to align talent management with overall business strategy.** Poor alignment between talent management and corporate strategy is ubiquitous. For example, only 21% of respondents say their organizations reappraise talent management approaches in light of corporate strategic requirements every six months or on an ongoing basis, even though 60% believe it should happen this frequently. At companies that are “Strategic Talent Leaders,” however, alignment is much stronger. Indeed, 65% of respondents from this cohort say those involved in talent management are seen as strategic partners.
- **C-suite executives must step up.** Only 23% of respondents believe senior leadership gives strategic talent management the priority it deserves. This is not surprising, as a minority of C-suite executives surveyed are actively involved in setting talent management priorities or in mentoring future corporate leaders. Experts interviewed for this study, however, stress that top executives must be involved in developing the next generation of leaders for the organization. Executives need to emphasize that succession planning matters to the success of the enterprise,

¹“Strategic talent” is defined in this study as the personnel needed by organizations to conduct successfully the projects and programs central to implementing and executing high-level strategy. “Strategic talent management” refers to the collective efforts involved in finding, hiring, developing, supervising, motivating, and retaining such talent.



and hold more of their direct reports accountable so that talent development is given the attention it deserves, experts say. Our survey data also show that active C-suite involvement in a wide variety of talent management activities makes companies twice as likely to be Strategic Talent Leaders.

- **Human Resources (HR) must enable company-wide talent strategy rather than remain a service function.** Just as the C-suite needs to evolve at many organizations, so too must Human Resources. Rather than simply providing employee services, HR should work collaboratively as a partner in talent management, providing the necessary intellectual and practical advice. Moreover, HR executives need to shed their reputation of not understanding the business well enough—a weakness that our interviewees still cite frequently.

Lessons from Strategic Talent Leaders

At some organizations, managing talent at a strategy level is effective. Twenty-four percent of survey respondents report that over the last three years they have had the talent in place to implement three quarters or more of their organizations' strategic initiatives. We have labeled this group "Strategic Talent Leaders." Throughout this report we discuss the attributes that set this cohort apart.

Perhaps most significant is the performance edge that managing talent strategically delivers. Sixty-one percent of Strategic Talent Leaders benchmark themselves as above average at strategy implementation (as measured against peers). Superior implementation has a measureable economic impact: 76% of Strategic Talent Leaders say their companies' financial performance is above average and 24% say it is well above average.

Introduction:

STRUGGLING WITH A KEY STRATEGIC ISSUE

“If we want to achieve our strategic objectives,” says Philip Zimmermann, Director of Global Talent Management at the German specialty chemicals firm Evonik Industries, “it comes down to having well-equipped leaders.”

Many organizations still need to accept this seemingly self-evident truth. Scarcity of strategic talent is hobbling companies worldwide. In a global, multi-industry survey of 548 senior executives conducted for this study, 35% of respondents report that talent deficiencies have significantly hampered more than one half of their efforts at introducing and implementing strategy over the last three years [See Chart 1]. On average, talent deficiencies undermine implementation and execution efforts 40% of the time.

The issue is not ignorance. In 1997, *The War for Talent* addressed what business leaders had long recognized—the increasingly difficult tasks of finding, training, motivating, and retaining the right people is one of the most important strategic challenges for every company. Says N. S. Rajan, Group Chief Human Resources Officer (CHRO) at Tata Sons: “Talent management is an integral strategic need.”

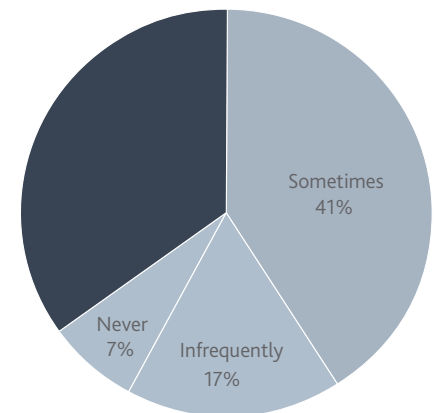
Seventy-two percent of our survey respondents say talent management will become increasingly important to strategy implementation and execution in the next three years, and 75% believe improving talent management processes will be their biggest or a leading challenge for improving strategic effectiveness during that period [See Chart 2].

Increasingly, businesses are spending money on the problem as well. According to Bersin, a part of the consultancy Deloitte, in 2012 US firms spent nearly \$25 billion on leadership development. “Companies are realizing that talent management is a critical strategic variable and are trying to play catch-up,” explains Doug Ready, Senior Lecturer in Organization Effectiveness at the MIT Sloan School of Management and founder of the International Consortium for Executive Development Research (ICEDR).

Yet most companies are struggling. The problem ranges from the high failure rates in strategy implementation described above to widespread difficulties with the basics. According to 47% of respondents, merely determining the talent their organizations

CHART 1

How often have talent deficiencies significantly hampered the implementation and execution of strategy in the last three years?



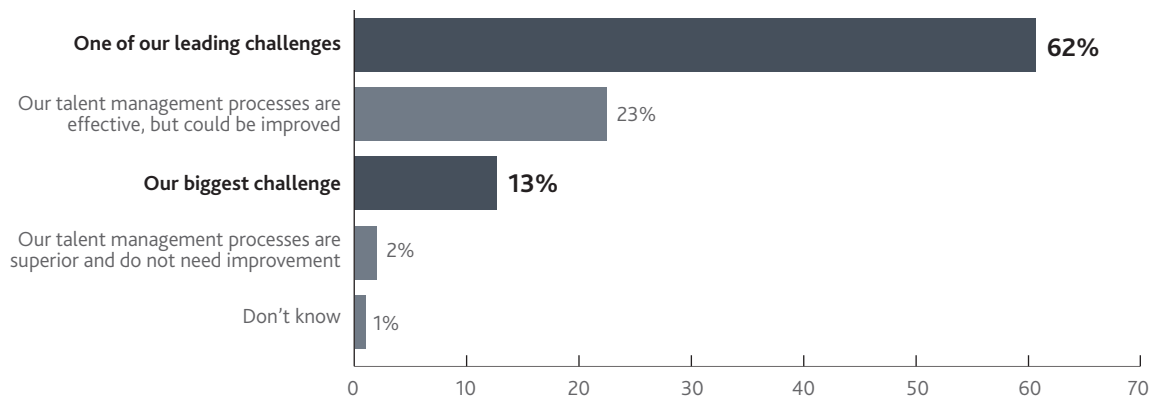
will need to implement and execute strategy is a difficult long-term challenge. A majority say the same about acquiring (57%), developing (58%), and retaining (57%) that talent. More striking, one third say their talent management strategies and processes need several years to react to the changing strategic demands of the business as a whole compared with only 17% who report the flexibility to react immediately.

Robert Kovach and Cassandra Frangos—respectively a Director in Global Executive Talent Management and Head of Global Executive Talent Management at Cisco—are not surprised by these results. Dr. Kovach notes that most studies indicate “usually only a small population of executives are good at this.” And he warns that the competitive demands of an evolving business environment will heighten the urgency of effective strategic talent management: “In the 1990s, you could reinvent the company every three to five years; we are noticing now, with ourselves and our customers, that you have to reinvent yourselves every two to three years. This means you have to disrupt your own leadership.”

This report examines what hinders organizations from securing the talent they need to implement and execute strategy, as well as ways to address these concerns.

CHART 2

How important will improving talent management processes be to the strategic effectiveness of your organization over the next three years?



A LACK OF SUSTAINED FOCUS

Strategic talent management will inevitably cause companies some problems. As Susan Steele, Global CHRO at the brand consultancy Millward Brown, puts it, success here “is tough. It doesn’t just happen.” Talent supply difficulties are notorious: Thirty-two percent of survey respondents say a shortage of specialist talent is the biggest impediment to executing strategy—the most frequent response. Moreover, although “formal” HR functions have existed within organizations for decades, the recognized field of talent management—let alone that which focuses on supporting strategy—has existed only since the late 1990s. Since then, best practices have not emerged: Most

THE PMI PERSPECTIVE

Seventy-one percent of CEOs see human capital as a key source of sustained economic value¹

Resource management is complicated by a number of factors—from the cost of staff turnover to the loss of knowledge as experienced employees leave or retire. Depending on the position’s skill requirements, this replacement cost can range from 25% to 250% of a position’s annual salary.²

Results from PMI’s industry growth forecast³ revealed that between 2010 and 2020, 15.7 million new project management roles will be created globally across seven project-intensive industries. As a result, the economic footprint of the profession is slated to grow by USD\$6.6 trillion. Growth at this level promises both opportunities for professionals as well as challenges for organizations.

To meet these challenges, high-performing organizations develop robust programs for building a talent pipeline and ensuring knowledge transfer.

NASA, for example, sees a direct connection between talent management and project and program success. Their talent

management program involves four phases with a focus on hands-on experience supplemented by training. Typically, individuals begin their NASA career as part of a team. This allows them to bring their expertise and experiences to support a larger project. Some then move on to leading a subsystem project or component activity, which serves as an early testing ground of capability and learning. If they do well in this phase, they are on track for more complex assignments and leadership roles.

At the program level, they monitor and support project success, ensuring that each project aligns with a program’s direction. At the portfolio level, they work to define, communicate, and ensure the portfolio aligns with the organization’s strategy.⁴ In addition, NASA captures all lessons learned on every project and program. These are then shared organization wide through lectures online and live, videos, articles, and stories.

¹Project Management Institute. *PMI’s Pulse of the Profession® In-Depth Report: Navigating Complexity*. Project Management Institute. September 2013.

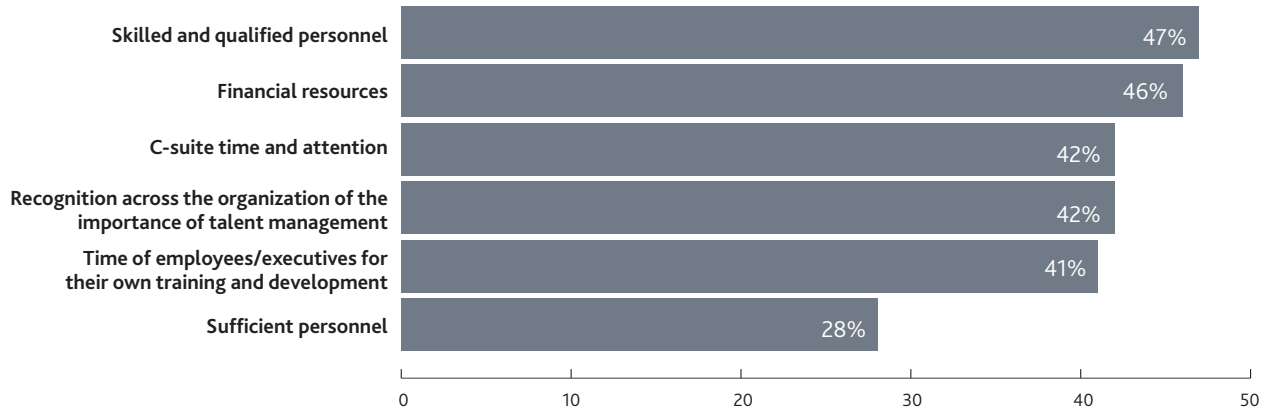
²Association for Talent Development (ATD, formerly ASTD) and Project Management Institute (PMI). *Managing the Learning Landscape*. White Paper. Project Management Institute. 2014.

³Project Management Institute. *PMI’s Industry Growth Forecast. Project Management Between 2010 + 2020*. Project Management Institute. March 2013.

⁴Project Management Institute. *Building High-Performance Project Talent*. White Paper. Project Management Institute. July 2013.

CHART 3

Which of the following does your organization provide adequately to manage the talent necessary to successfully implement strategic initiatives?



academic literature still focuses on the definition of talent management or delineates its central challenges. One major literature review recently questioned whether talent management is in its infancy or adolescence.²

Rather than innate difficulty, which is common enough in business, the bigger reason why organizations fare poorly in talent management, says Dr. Ready, "is lack of sustained focus. It takes management courage and commitment over time, rather than saying, 'Oh, yeah. This is an important issue. Let's have a one-day conference.'" Ms. Steele agrees: "Leaders simply are not prioritizing this. The barrier is mindset."

Another challenge is the reluctance of executives to wrestle with frequently uncomfortable questions. Mr. Zimmermann says, "This is a very inconvenient topic for people. If you treat your employee as an input factor, it avoids having to deal with inconvenient things like relationships and feedback in difficult situations. It takes more art than saying, 'you have to sell 20 items.' There is still a belief that the business goals you set up are a given and the human factors will adapt to achieve them." Dr. Ready agrees: "It is easier for an executive to get his or her head around selling a phone or an engine than to explore the kinds of leaders that will be required in the future."

Only 41% of survey respondents say the approach to strategic talent development is accepted and understood across their organization. Such an approach, however, is far more typical of Strategic Talent Leaders compared with others: 65% of the former have a cross-organizational approach, nearly twice the figure for other survey

respondents (33%). Janina Kugel, Head of Personnel Strategy and Executive Development at Siemens, explains that while talent management “is something that everyone has to do, it is a challenge for companies not to let every business unit manager decide policy, but to have a clear strategic direction.”

Under-resourcing the management of talent needed for strategic implementation is the rule rather than the exception. Only a minority of organizations provide adequate financial resources, C-suite attention, or training time for relevant personnel [See Chart 3].

One survey respondent says, “While the company message is that training and talent are important, this gets pushed to the side when pressure is put on the organization to be more efficient.”

Dr. Ready says effective strategic talent management “doesn’t mean a lot of money. There is a very low correlation between expenditure on talent management initiatives and their effectiveness. What makes a difference is making sure senior executives pay enough attention.” Mr. Zimmermann agrees: “Success is not about spending more money. Good strategic talent management might mean cutting the budget by half, but also doing things differently. Ask for C-suite time rather than for money because time is about attitude.”

The types of resources being committed to talent management suggests that companies may not appreciate which factors are critical for success. Only 7% of respondents cite lack of funding as one of the top three barriers to having the talent needed to implement strategy against 22% who report insufficient C-suite attention. Yet, as Chart 3 shows, more respondents report that their organizations provide adequate financial resources than sufficient C-suite time. Similarly, looking ahead, a higher proportion of respondents (77%) expect a significant increase in financial investment in at least one element of strategic talent management than those who foresee increasing C-suite contribution in any form (72%).

Under-resourcing sends a message to the entire company that may impede strategic talent development. Just 42% of respondents say their firms recognize adequately the importance of talent management so that, for example, managers make it easy for their staff to engage in training. Getting these managers on board, however, is crucial and worth extra investment. Ms. Kugel says that, at many

²Marian Thunnissen et al., “A review of talent management: ‘infancy or adolescence?’” *The International Journal of Human Resource Management*, 2013; see also literature review in the introduction to Paul Sparrow et al., *Strategic Talent Management: Contemporary Issues in International Context*, 2014

THE PMI PERSPECTIVE

Building the talent pipeline should be part of an organization’s culture

By 2020, more than 716 million people will be age 65 or older. The war for talent will be fierce, and succession planning will no longer be just a C-suite conversation. After all, an organization’s strategic initiatives are achieved through projects and programs, and success depends on identifying and retaining top talent and knowing where to fill skills gaps with new hires.¹ Research conducted by PMI and ATD revealed that 26% of global business executives think their organizations are not effective at transferring knowledge from retiring staff to younger workers.² As a result, an unexpected consequence of the talent gap will be the expectations placed on a younger and less experienced workforce. How organizations manage their talent pipeline will become even more critical to meet the challenges of a rapidly changing world.

Fluor, a global construction firm, syncs its strategic business goals and its talent management efforts to ensure a global portfolio of project professionals with the training, certifications, and experience to take on future roles.

To ensure its talent portfolio is aligned with growth projections, they use a matrix of online talent management forums in which

company leaders mentor and track high-performing employees. Roughly 10% of the company is monitored through these forums, including many on the project management career track.

Once identified, high performers are put on a global business leadership track. They receive mentoring as well as intensive training in project management programs. They are also given opportunities to rotate into new projects and to take on stretch assignments to expand their skills and experiences. Fluor's leadership is encouraged to move project managers among divisions—even if that means giving their best talent to another group.

Executives are assessed on how many structured opportunities they create for their team members, are held accountable for the development of talent, and are rewarded for exporting talent. Leaders who fail to share their resources see their careers plateau.

¹Project Management Institute. *Building High-Performance Project Talent*. White Paper. Project Management Institute. July 2013.

²Association for Talent Development (ATD, formerly ASTD) and Project Management Institute (PMI). *Managing the Learning Landscape*. White Paper. Project Management Institute. 2014.

companies, an insufficient focus on day-to-day people development is the biggest barrier to developing key talent. Mr. Zimmermann adds that such beliefs by line managers tend to eventually become part of the accepted corporate culture. Accordingly, focusing on making line managers better talent managers is "a true value lever." "Doing this with a few hundred managers in a talent pool over the last three years has helped turn around perception gaps," he says.

Many organizations, then, not only lack the talent they need for strategic success, but their efforts to obtain and manage it are unfocused and impeded by harmful cultural attitudes. This weakens not only strategy implementation but financial performance. The solution requires a complete shift, moving strategic talent management from the margins to giving it a central role in how the organization operates.

ALIGNING TALENT MANAGEMENT AND BUSINESS STRATEGY

The case for linking talent strategy and corporate strategy implementation is clear. Ms. Kugel notes, “If we [in talent management] don’t know where the business wants to grow and whether it has the right people, we can’t do a good job.” Yet, according to our survey, only 36% of respondents report a high or very high degree of alignment between strategy implementation and talent development or retention policies at their organization. Just 30% say the same of business strategy and talent policy formulation. Strategic Talent Leaders—those who deliver more of their strategic initiatives successfully and report better financial performance—cite higher alignment than others [See Table 1].

Table 1. Proportion of respondents saying the following are highly or very highly aligned at their organization

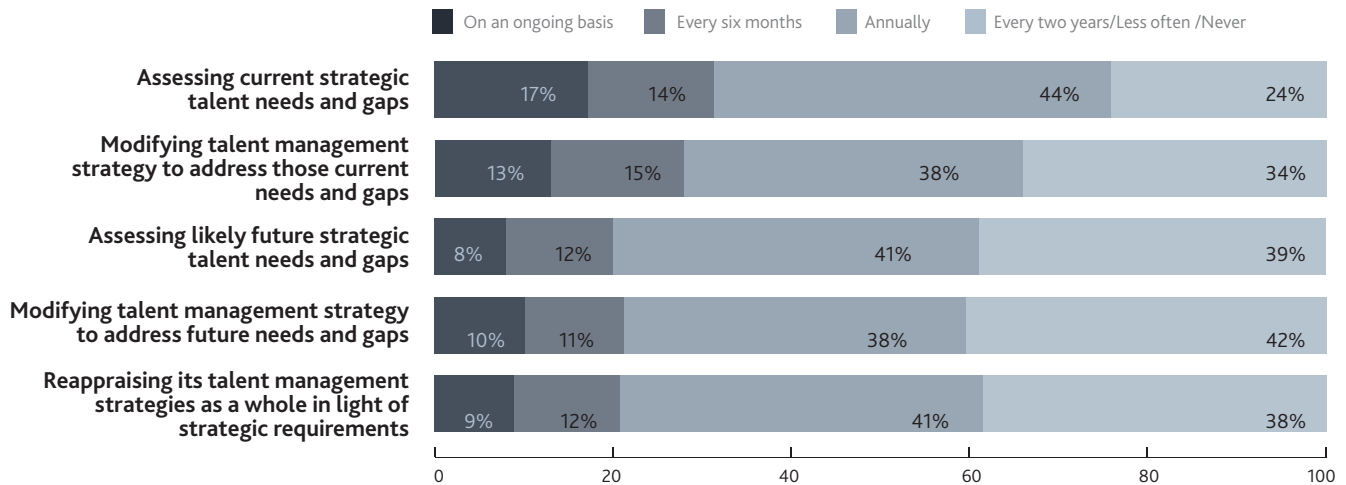
	STRATEGIC TALENT LEADERS	OTHER SURVEY RESPONDENTS
Business strategy implementation and hiring policies	64%	37%
Business strategy implementation and talent development/retention policies	58%	29%
Planning cycles of overall business strategy and talent management strategy	49%	27%
Business strategy formulation and talent policy formulation	50%	24%

Too many organizations simply do not work to achieve alignment and therefore won’t reach the success levels of higher performers. Planning cycles for talent management and strategy are well synchronized at only 33% of respondents’ organizations—thus, at a majority of firms, interaction between them is difficult. Moreover, roughly 35–40% of respondents say their organizations review key links between talent and general strategy only every two years—or even less frequently [See Chart 4].



CHART 4

How often does your organization engage in the following?



Respondents recognize that this is insufficient in a world where competition requires rapid strategic change and execution. Just 21% report that their organizations reappraise talent management strategies as a whole in light of corporate strategic requirements every six months or on an ongoing basis; 41% do so annually. Ms. Steele of Millward Brown says, “The challenge in any business is activation of the strategy: three-year plans, five-year plans always have to be revisited in terms of assumptions. The same is true of talent strategy; organizations need to be able to flex their talent strategy the way they do their business strategy.” Unsurprisingly, Strategic Talent Leaders lead the pack in this area.

What does alignment look like in practice? Mr. Rajan notes, “In a large corporate group like Tata, alignment can be complex. We need to create a leadership architecture that blends with our ethos and business needs.” The group’s leadership development efforts incorporate two core elements—which it labels “experience” and “competence”—that must be focused on concurrently. “Experience” includes enabling an individual to work for multiple companies, functions, geographies, and different business situations.

Table 2. Proportion of respondents saying that the following are done annually or more frequently at their organization

	STRATEGIC TALENT LEADERS	OTHER SURVEY RESPONDENTS
Assess current strategic talent needs hiring policies and gaps	89%	71%
Modify talent management strategy to address current needs	82%	61%
Assess likely future strategic talent needs and gaps	76%	57%
Modify talent management strategy to address future needs	80%	52%
Reappraise talent management strategies as a whole in light of strategic requirements	77%	57%

“Competence” involves functional and technical skills, behavioral skills, and so-called Tata accelerators such as geopolitical sensitivity and cultural knowledge. Mr. Rajan adds, “Let’s take an instance of a Tata company setting up a plant in 2020 in a new geography as part of an expansion strategy. This would translate into identifying, in advance, individuals who could lead relevant functions of the new operations. These individuals need to be offered training on the specific job requirements as well as the local language and culture so that they can ‘move seamlessly’ to assume the responsibility. Our intent at Group HR is to build a leadership engine that will consistently develop strong leaders who can drive strategic opportunities.”

At Cisco, alignment involves integrating talent strategy with business strategy so that the two are mutually supportive in a variety of ways [see sidebar, “Talent Management and Strategy at Cisco: Beyond Alignment to Integration”]. Dr. Kovach notes that by integrating talent development tightly with business needs, “[w]e find that we are part of the strategic conversation.” This participation frequently distinguishes Strategic Talent Leaders from others. At 65% of the former, those responsible for talent management are clearly seen as strategic partners within their firms. Among other respondents, only 44% think of talent management in this light and 37% even take the opposite view—that is, that they are not part of the strategy team.

Alignment between and integration of talent management and overall strategy, however, cannot happen in a vacuum. They require specific input from both the C-suite and HR.



Talent Management and Strategy at Cisco: Beyond Alignment to Integration

At networking technology company Cisco, current leaders are heavily involved in fostering future ones. Cassandra Frangos, Head of Global Executive Talent Management, explains that attitude from the top down is a key to success. She says that CEO John Chambers has emphasized that there is “no success without a successor.” This has helped create a culture in which, even at the busiest times, leading executives mentor key talent. Cisco goes further than most companies by giving top leadership a formal, structured role in management development through a board-level committee.

Robert Kovach, a director of Global Executive Talent Management, notes that C-suite involvement is crucial to having the next generation of individuals able to implement and execute high-level strategy: “Nobody is born to do these jobs. They are big, nasty, and complex. If you are not getting senior people involved to help develop talent, you are consciously putting yourself behind the eight ball.”

Says Dr. Kovach: “We define success in terms of how the business defines success” rather than relying on commonly used generic HR metrics. In 2012, Cisco divided HR into

tactical and strategic sections, with the former given over to the company’s shared services organization. This has freed the rest of the HR function so that, says Dr. Frangos, “in HR, strategy transformation is your day job.”

Dr. Kovach notes that having a strategic view of talent management “puts you in a very different picture. We ask, ‘Are we doing the right thing for our business?’—a question that is asked and the answer refreshed over time—with the rest of the business.” The answers are typically adapted to Cisco’s specific needs. Dr. Kovach adds, “The majority of our success [in leadership development] has been when we threw the conventional rule book out the window and said, ‘Let’s customize it for what Cisco needs in its business environment.’”

One example is Cisco’s main leadership development program—the Business Leadership Forum. Individuals who are believed to have the highest potential for leadership are assigned to collaborative teams to address a particular strategic business issue. Employees in these groupings come from a range of functions. The goal of the exercise is to teach people to understand the business at a strategic level beyond their own roles. Rather than focusing on hypothetical cases, the objective of the ten-week program is for teams to create a proposal to solve a real-world Cisco business problem or take advantage of a potential market opportunity. This approach not only anchors talent development to the specific needs of the business, it provides strategic input for company leaders.

KEY PLAYERS THAT NEED TO EVOLVE

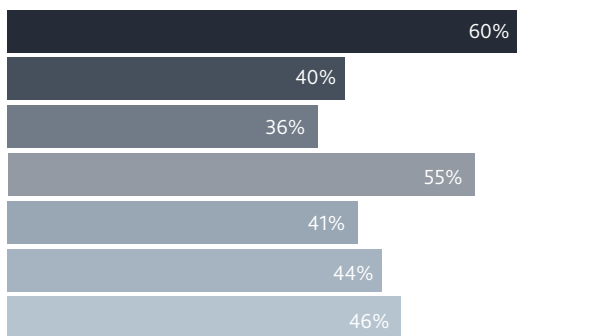
The C-Suite

CHART 5

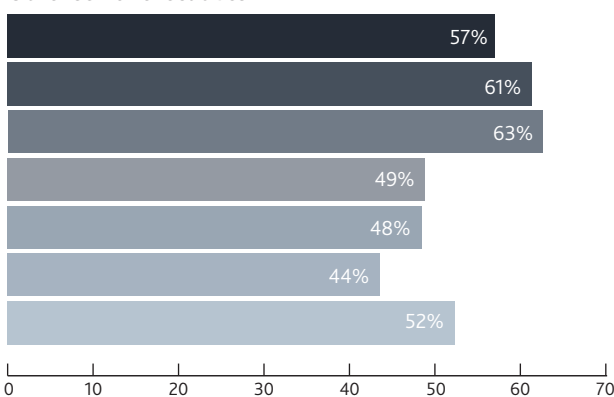
Are C-suite and senior-level executives at your organization heavily involved—as part of their regular work—in the following?

- Identifying top talent internally
- Tracking top talent internally
- Coaching/mentoring top talent within the company
- Recruiting top talent from outside the company
- Identifying unmet strategically important talent requirements
- Forecasting future strategically important talent requirements
- Setting talent management priorities

C-suite



Other senior executives



High-level talent management is an important strategic activity for companies, thus corporate executives' "investment of time matters," says Dr. Ready. Too often, they are uninvolved: 44% of survey respondents say that senior leadership does not give talent management the priority it deserves. Worse, only 23% disagree with the statement; the rest (33%) are undecided, which indicates that any message from the top is at the least unclear. Similarly, as noted earlier, lack of C-suite attention is cited by 22% of respondents as a barrier to having the talent needed to implement and execute strategy. Says one survey respondent: "A lack of seriousness from top management" is a leading cause of talent deficiencies that undermine strategy.

Our survey asked whether C-suite leaders are heavily involved in several key areas of talent management. Although a majority of respondents say these executives commonly engage in identifying internal talent and recruitment, in most other areas of talent development only a minority are actively involved [See Chart 5]. This lack of broad involvement has a direct impact on strategic success. Companies where the C-suite is involved in all key areas of talent management, cited above, are more than twice as likely as others (55% vs. 21%) to report that talent deficiencies rarely impede strategy implementation.

Again, Strategic Talent Leaders outperform other survey respondents in this area [see Table 3]. While Strategic Talent Leaders are well ahead of their peers, even their level of C-suite engagement is low, with involvement in each activity never rising above 66%.

In addition to their active involvement, members of the C-suite should also prepare their successors, according to respondents. Dr. Frangos says, "The C-suite has to be intimately involved in developing the next-generation C-suite. You can't just delegate." Moreover, these actions need to be part of a public recognition of the importance of talent. Dr. Ready says, "Words matter. An unequivocal statement of commitment to the importance of

minding talent resources is critical, as is marrying up that commitment with visible engagement.” Actions matter as well. According to Mr. Zimmermann, involvement in talent management activities, in particular mentoring, is the only way to make claims about the importance of talent credible.

Our interviewees maintain that the key to having the necessary C-suite involvement in strategic talent management is to make it part of what is expected of top executives and to signal this via pay and benefits. As Mr. Zimmermann says, “This has to hit bonuses and succession.”

Table 3. Are C-suite executives at your organization heavily involved—as part of their regular work—in the following?

	STRATEGIC TALENT LEADERS	OTHER SURVEY RESPONDENTS
Identifying top talent internally	66%	57%
Tracking top talent internally	53%	35%
Coaching/mentoring top talent within the company	49%	32%
Recruiting top talent from outside the company	61%	53%
Identifying unmet strategically important talent requirements	54%	37%
Forecasting future strategically important talent requirements	58%	39%
Setting talent management priorities	57%	42%

THE PMI PERSPECTIVE

Developing talent is more than just training

Performance management, employee development, retention, and career planning comprise talent management. Essential components of employee development include continuous education but also mentoring and hands-on experience. Employees with the strongest commitment to their organizations gave 57% more effort and were 87% less likely to resign than employees who are disengaged.¹ The talent management initiatives of forward-thinking companies include:

- Defined career paths and skill requirements
- Identification and grooming of top performers by senior management
- Regular assessment reviews
- Alignment between strategic goals, project portfolios, and staff
- Stretch assignments, giving young project leaders

- opportunities to extend their skills, knowledge, and network
- Mentoring and coaching

At Indra, a Spain-based IT systems and engineering company, the human resources department and the corporate PMO provide regular development opportunities so every department’s pool of project management talent can meet all of the unit’s project requirements.

The human resources department and the corporate PMO outline the specific skills and competencies for each level of project management expertise. Project managers are assessed against those definitions. Performance evaluations are based on a combination of job descriptions, maturity level achieved, and the gap between the expected performance for a role and the actual performance.²

¹Project Management Institute. *Building High-Performance Project Talent*. PMI White Paper. Project Management Institute. (Quoting Conference Board data.) July 2013.

²IBID

THE HR FUNCTION

The cultural impact of the C-suite's talent activities is all the more important because strategic talent management needs to involve the whole company rather than a given function. Tata's Mr. Rajan says, "Leaders must feel an acute need to own the people function and have a strong people orientation."

If talent activities are a company-wide, C-suite-led responsibility, what is Human Resources' role in making sure the company has the people it needs to implement strategy? The answer is not the traditional one, says Mr. Zimmermann. "The greatest risk to talent management is the belief that HR is a service function. This is a critical issue. The value of HR professionals' contribution is to enable CEOs, line managers, and those with talents to do good talent development. They need to get out of that service mentality and enable." Siemens' Ms. Kugel says, "HR is not a support or service function. We have clear service elements, but real strategic business partnering is becoming important. We are not only executing what managers want. I can ask what the business challenge is and contribute on how to fix it."

In this new strategic partnership, HR needs to manage and assist in strategic talent management, including coaching. "It is easy to discuss strategy," says Ms. Kugel, "but you need to provide guidance to managers about what it means in practice." Similarly, says Dr. Ready, HR needs to retain "intellectual leadership of what it means to provide effective management and coaching—knowledge that I wouldn't expect CEOs to invest time in. The latter better make sure they have savvy HR folks who combine that with a deep understanding of the business."

Taking on such a role, and gaining that deep understanding, requires substantial cultural change within HR. Mr. Rajan says, "In my consulting experience, I observed that the HR community is often too busy serving itself rather than the business. They may put together a whole set of initiatives that look nice, but the primary task is to understand what the business needs and then convert it back to HR doing what supports the business. The real challenge is to create significance and relevance while staying true to the purpose of delivering business benefits."

Dr. Ready is more sanguine. He notes that at leading companies, HR leaders are now key partners in running the business. He agrees, though, that the function has to "play catch-up, because there still is a decades-old perception of HR not understanding company business drivers, so the credibility of teaming up with HR has been a big issue."

Developing a more business-oriented focus could have an impact on under-resourcing. Ms. Steele has a straightforward explanation: "Somebody [at these companies] is not making the business case." Doing so is not always easy, notes Ms. Kugel, because "HR is a function

where most professionals have difficulty measuring the results of what they are doing.” Increasingly, note several interviewees, strategic talent management involves developing key performance indicators, such as successful successions. Mr. Zimmermann says, “It is not as easy as a sales figure but you can create credible numbers that talk about impact longer term and manage talent as a strategic asset in a way that is tangible for the rest of the business.”

THE PMI PERSPECTIVE

Seventy-five percent of organizations rank project management leadership skills as most important for the successful navigation of complexity in projects.¹

While the ability to bring projects in on time, in scope, and on budget remains critical, to be successful in a complex global environment, organizations need project, program, and portfolio managers with an additional set of capabilities. These capabilities form a talent triangle characterized by project management proficiency, anchored by leadership capabilities and business and strategy acumen.

PMI’s research revealed that most organizations consider technical skills the hardest to find but easiest to teach.² As a result, organizations are hiring people who can demonstrate such leadership skills as stakeholder management, negotiation, persuasion, emotional intelligence, collaboration, analysis, and the ability to communicate a vision to both the project team

and executives. They then train them on the technical side. To become more valuable to organizations, project managers are seeking to develop their leadership, business, and strategy skills as well as their technical proficiency.

British Telecommunications (BT) offers an excellent example of the advantage of collaboration. Innovation is a strategic driver for the organization, and there is a staff team that drives those initiatives. Innovation staff members who work with external partners must have strong relationship development skills in addition to project management skills. Staff members who work with innovation activities involving other BT employees must be well-connected within the organization and act as change agents, helping to keep employees engaged.²

¹Project Management Institute. PMI’s *Pulse of the Profession® In-Depth Report: The Competitive Advantage of Effective Talent Management*. Project Management Institute. March 2013.

²Project Management Institute. PMI’s *Pulse of the Profession™ In-Depth Report: Navigating Complexity*. Project Management Institute. September 2013.

²APQC® and Project Management Institute. *Open Innovation: Enhancing Idea Generation Through Collaboration*. APQC and Project Management Institute. 2013.

Conclusion:

MOVING BEYOND PLATITUDES

Jack Welch, former chairman of GE, once said, “This whole game of business revolves around one thing. You build the best team, you win.” Our research reveals that a majority of companies have failed to assemble the necessary talent, which could harm their competitive position.

Strategy implementation is being undermined by a widespread inability to move the right talent into the right place. The problem is so significant that it has hampered the implementation of four in ten strategic initiatives over the last three years. Many senior executives admit that their organizations perform poorly at strategic talent management, that leaders do not pay enough attention to the issue, and that processes take too long to adjust to today’s rapidly changing competitive landscape. Indeed, only 17% of respondents say talent management at their firms adapts flexibly to evolving strategic needs. Failure to address this issue exacts an economic toll: Strategic Talent Leaders are more likely to outperform their peers financially.

Companies willing to act can create their own silver lining around this ominous cloud. In a world where so many are devoting little more than lip service to talent management, those willing to take concrete steps will gain competitive advantage. Best practices include:

- **Improving focus.** Strategic talent management is an easy issue to avoid among other pressing priorities. It can be uncomfortable to address. Give it the attention—and the resources—that it deserves or organizations will remain unable to take advantage of the benefits it can deliver.
- **Closely aligning talent strategy with strategy formulation, implementation, and execution.** Talent strategy exists to meet the goals of the overall business—at too many companies this is not the case. Alignment involves creating processes and procedures that support talent management through changing business requirements and provide the people needed to implement corporate strategic response. In formulating general strategy, attention should always be paid to taking advantage of existing capabilities within the organization.



THE PMI PERSPECTIVE

Shifts in the customer landscape¹

Ten years ago, CEOs ranked their customers sixth on the list of all market factors they believed would drive the most change in their organizations. Today, customers live and work in a digital world. They're enfranchised and empowered and they lead the agenda for every CxO profession. This represents a massive shift in customer relations. In the next three to five years, CEOs expect to include customers in every part of their business. More will be incorporating customers in their organization's business strategy development. Organizational agility will become essential to adapting to this shift in shaping strategy.

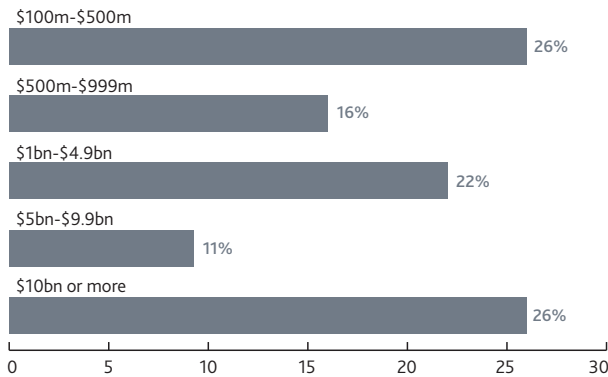
¹Project Management Institute. PMI's *Pulse of the Profession®: The High Cost of Low Performance 2014*. Project Management Institute. March 2014.

- **Developing and managing key leaders through strategic partnerships.** Strategic talent management is too important to leave to any single function. It must involve the entire company, with the C-suite providing leadership and demanding accountability; the HR function transitioning from a service mentality to one that understands the business perspective and focuses its own contribution on achieving overarching corporate goals; and line managers taking responsibility for developing the talent around them.
- **Deepening C-suite involvement in talent strategy.** This is perhaps the most important piece of the puzzle. Without greater C-suite involvement in direct mentoring of potential successors, as well as setting a tone that demonstrates the importance of the issue, other initiatives will falter. This cannot be successfully delegated.

The survey data provide two final, interrelated messages. First, even many Strategic Talent Leaders have room to improve. Although members of this group are more likely to engage in best practices, substantial minorities have yet to adopt a range of best practices. Second, those who are not Strategic Talent Leaders should be encouraged. Catching up is not only essential for strategic success; it is still possible to move to the front of the pack by getting all the basics right.

Appendix

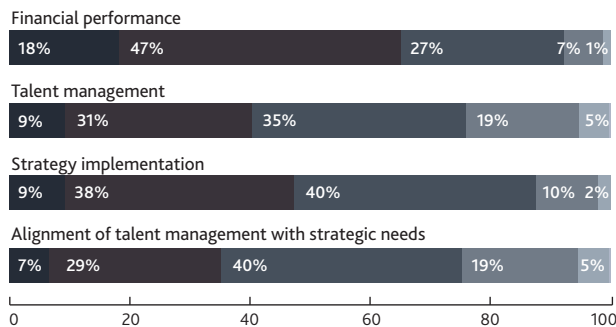
What are your organization's global annual revenues in US dollars?



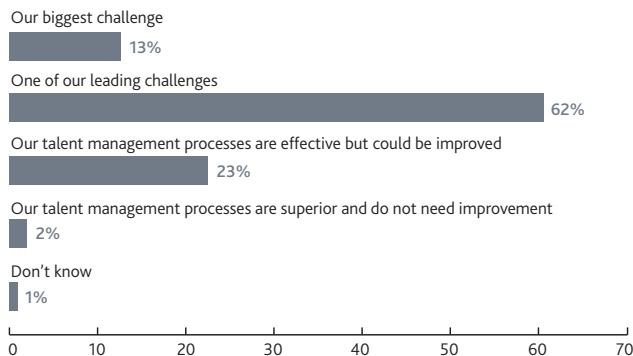
1. How would you rank your organization compared with peer companies?

Please select one for each row.

Well above average | Above average | Average | Below average | Well below average | Don't know



2. How important will improving talent management processes be to the strategic effectiveness of your organization over the next three years?



3. Which of the following does your organization provide adequately to manage the talent necessary to successfully implement strategic initiatives?

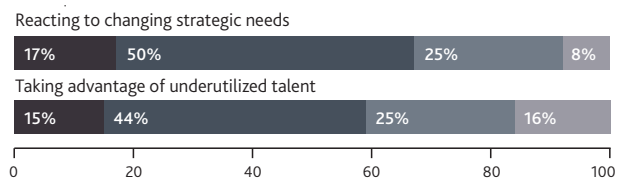
Please select all that apply.



4. How flexible are your talent management strategies and processes in reacting to the changing strategic needs of your organization, and how flexible is your overall strategy in taking advantage of underutilized talent?

Please select one for each column.

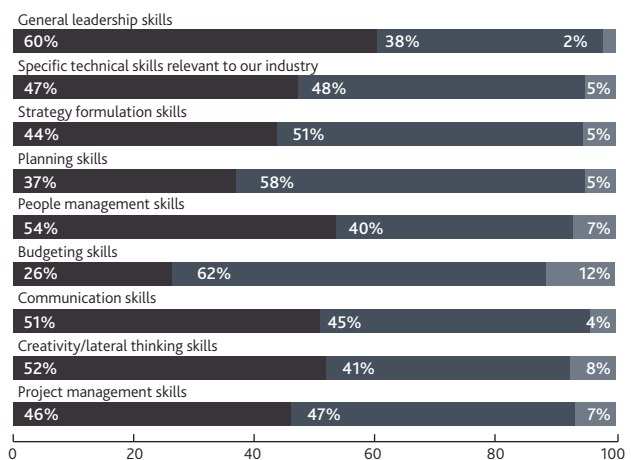
Very flexible – can react almost instantly | Somewhat flexible – can react within months | Slightly flexible – can react within several years | Not flexible



5. How important have the following types of skills/attributes become for strategy implementation at your organization over the last three years?

Please select one for each row.

More important | Same | Less important



Appendix

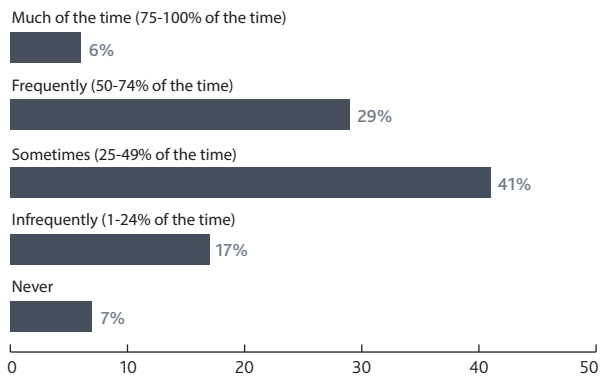
6. Do you agree or disagree with the following statements?

Please select one for each row.

■ Agree ■ Disagree ■ Neither agree nor disagree



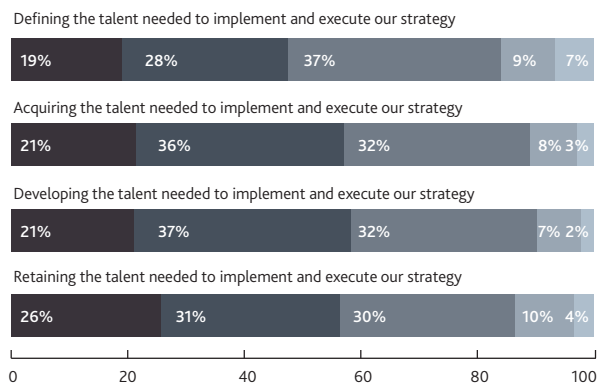
7. How often have talent deficiencies significantly hampered the implementation and execution of strategy in the last three years?



8. How significant of a long-term challenge do the following represent for your organization?

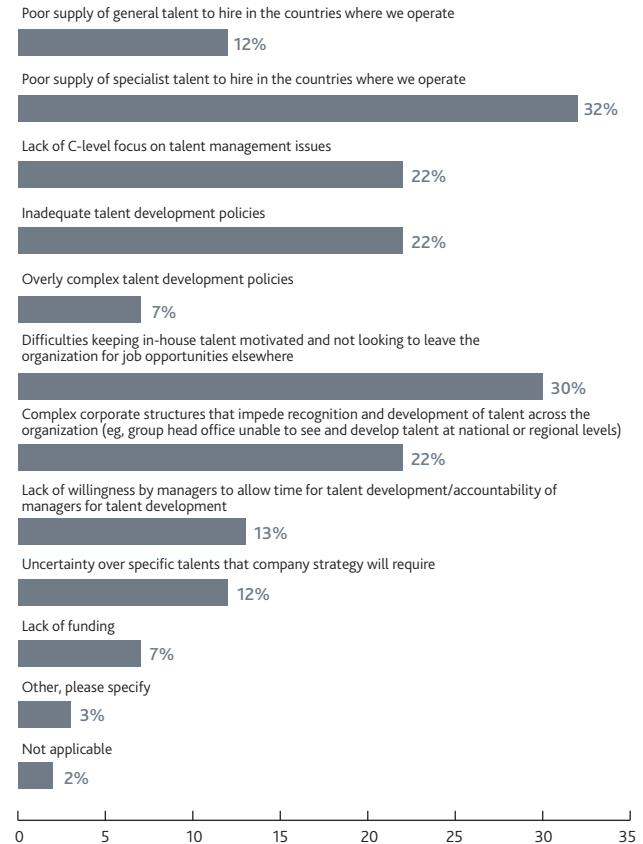
Please answer on a scale of 1 to 5, where

■ 1 = a significant long-term challenge ■ 2 ■ 3 = a moderate long-term challenge ■ 4 ■ 5 = Not a long-term challenge



9. Which of the following are significant barriers to your organization having the talent it needs to implement and execute its strategy?

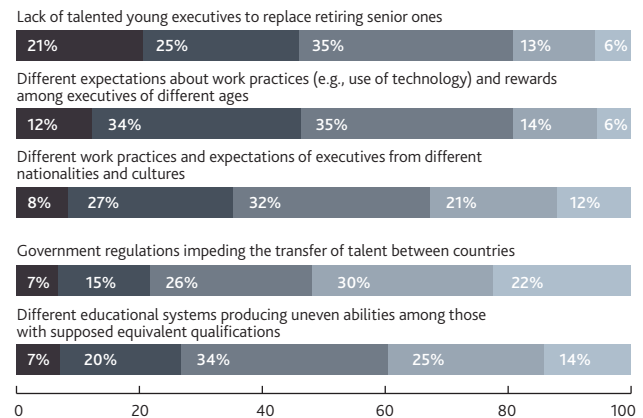
Please select two.



10. When acquiring, developing and retaining talent needed for strategic implementation, how significant a challenge are the following?

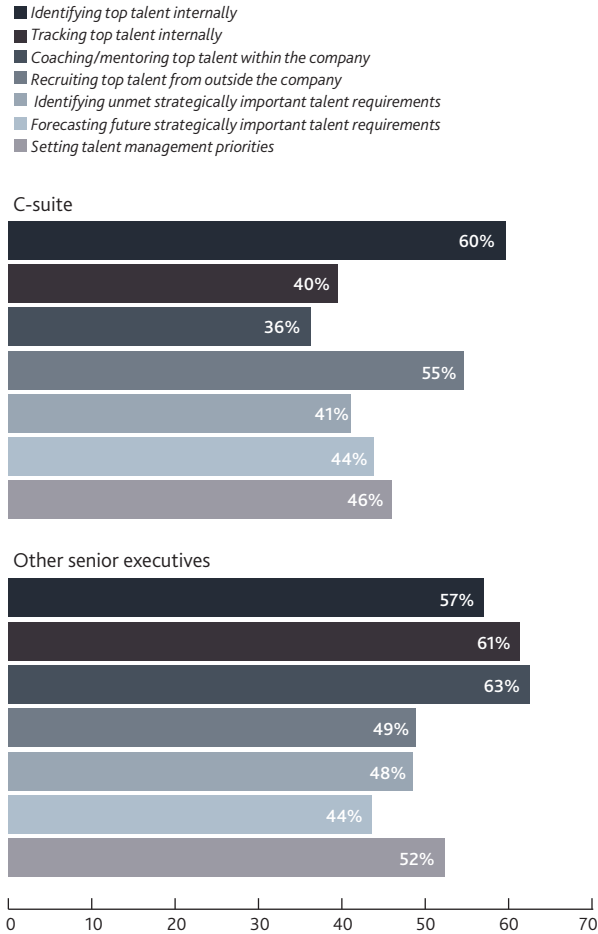
Please answer on a scale of 1 to 5, where

■ 1 = a significant challenge, ■ 2 ■ 3 = a moderate challenge ■ 4 ■ 5 = Not at all a challenge



Appendix

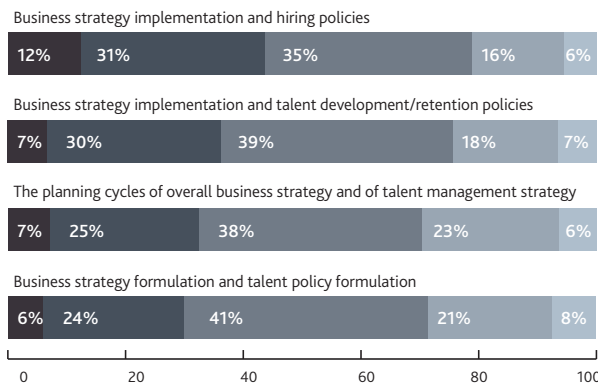
11. Are C-suite and senior-level executives at your organization heavily involved — as part of their regular work — in the following?
Please select all that apply in each column.



12. How closely aligned are the following at your organization?

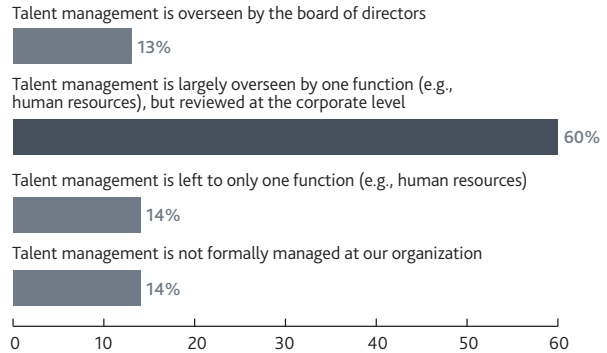
Please answer on a scale of 1 to 5, where

■ 1 = very well aligned ■ 2 ■ 3 ■ 4 ■ 5 = not at all aligned



13. Which of the following best describes talent management at your organization?

Please select two.



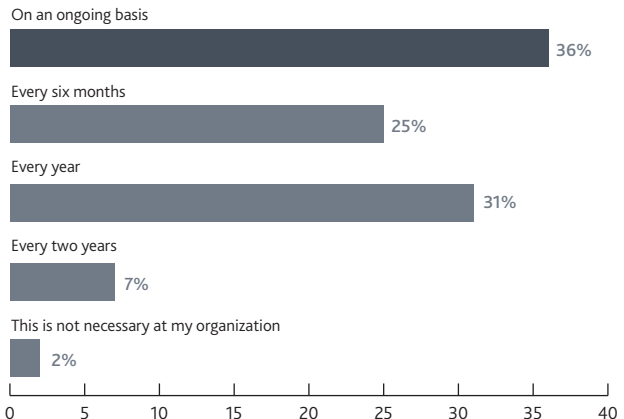
14. How often does your organization engage in the following?

Please select all that apply.

■ On an ongoing basis ■ Every six months ■ Annually ■ Every two years
■ Less often ■ Never



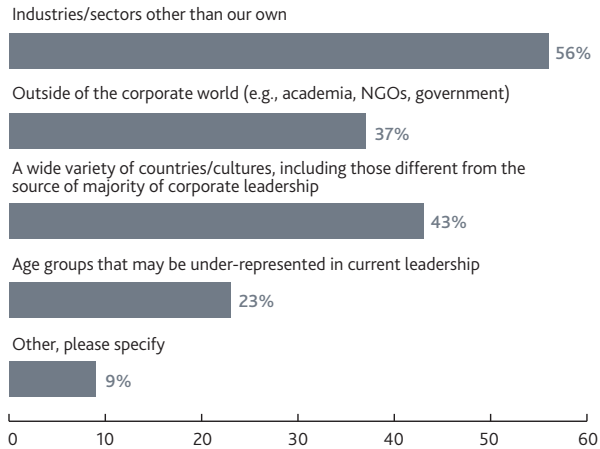
15. In your opinion, how often should your organization reappraise its talent management policies as a whole in light of its strategic requirements?



Appendix

16. Does your organization regularly look for talent in any of the following?

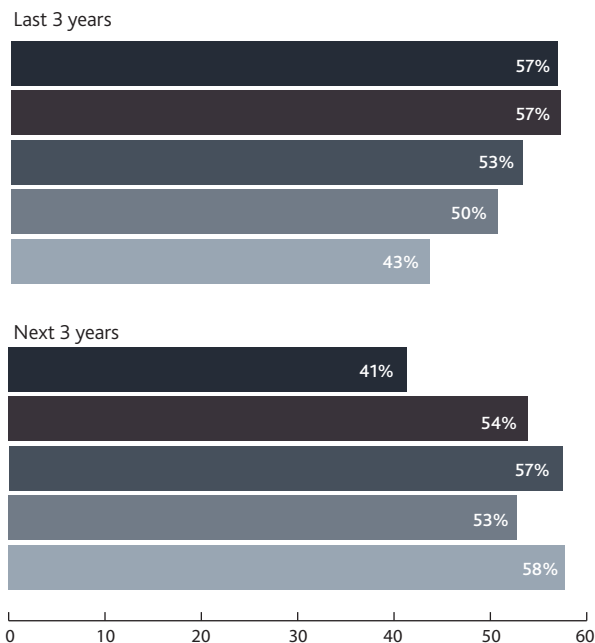
Please select all that apply.



17. In the last three years, has your organization significantly increased its financial investment in the following? Do you plan to do so in the next three years?

Please select all that apply.

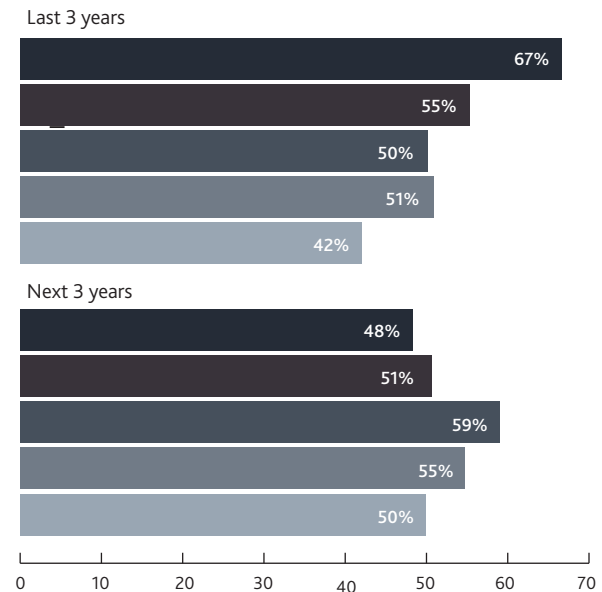
- Defining the talent needed to implement and execute our strategy
- Acquiring the talent needed to implement and execute our strategy
- Developing the talent needed to implement and execute our strategy
- Retaining the talent needed to implement and execute our strategy
- Knowledge capture and transfer as key personnel change



18. In the last three years, have you significantly increased C-suite executive time and attention dedicated to the following? Do you plan to do so in the next three years?

Please select all that apply.

- Defining the talent needed to implement and execute our strategy
- Acquiring the talent needed to implement and execute our strategy
- Developing the talent needed to implement and execute our strategy
- Retaining the talent needed to implement and execute our strategy
- Knowledge capture and transfer as key personnel change



19. Do you agree or disagree with the following?

Please select one for each row.

- Agree
- Neither agree nor disagree
- Disagree

We regularly use our talent advantages over other organizations to shape strategy, thereby gaining competitive advantage



Academic institutions are not sufficiently responsive to the changing talent needs of business



MBA programs rarely produce graduates with the skills needed for our organization to implement its strategy



Talent management is likely to become increasingly important to strategic implementation and execution at my organization in the next three years

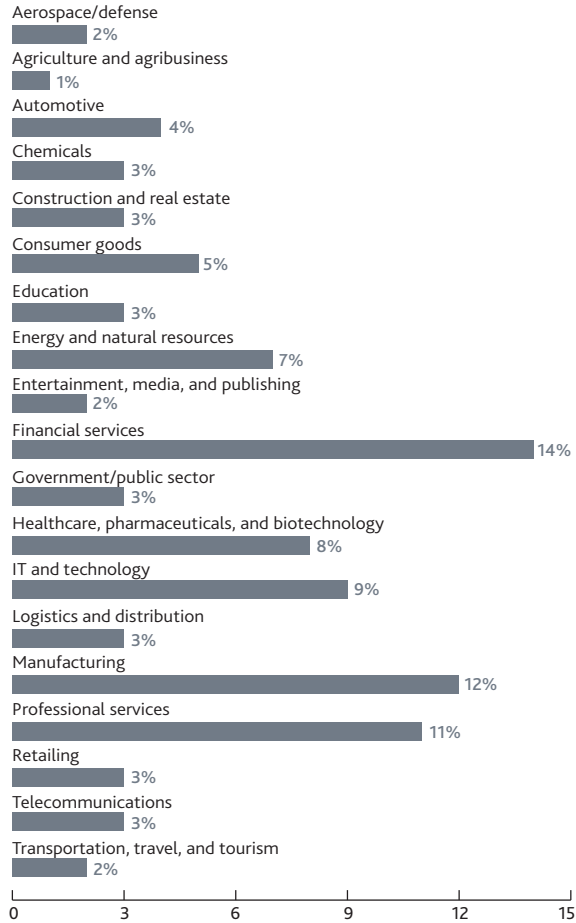


Our organization's senior leadership as a whole does not give talent management the priority it deserves given its strategic importance

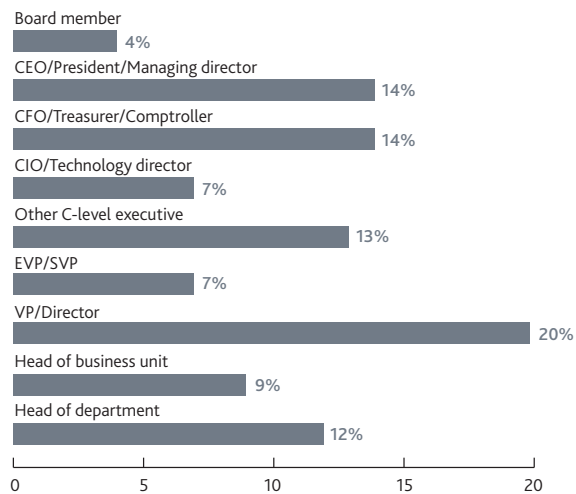


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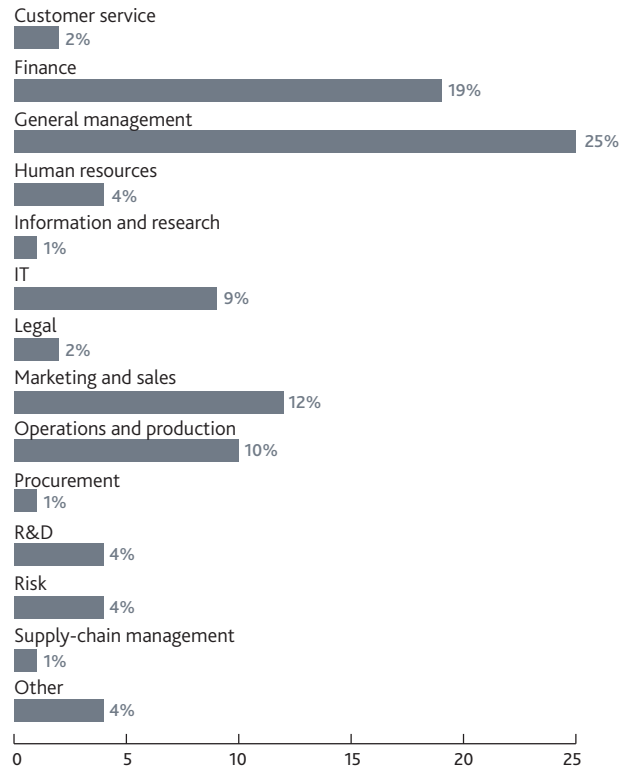
What is your primary industry?



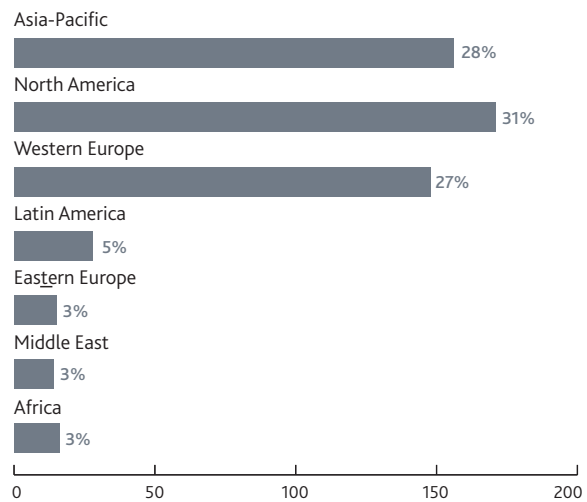
Which of the following best describes your title?



What is your main functional role?



Region





Beijing | Bengaluru | Brussels | Buenos Aires | Dubai | Lelystad | Mumbai | New Delhi
Philadelphia | Porto Alegre | Rio de Janeiro | Shenzhen | Singapore | Washington, D.C.

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