



EXECUTIVE SUMMARY

DDI SURVEY FINDINGS FROM THE CONFERENCE BOARD 2006 TALENT MANAGEMENT STRATEGIES CONFERENCE

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After years of lip service, talent management has become a high priority for senior executives. This shift is not hard to understand, given the growing recognition that the only lasting, inimitable competitive advantage an organization has is the quality of its people. But with the new emphasis on finding and developing the right talent to drive current and future business success comes the inevitable question: What's the right way to approach talent management?

TALENT MANAGEMENT SURVEY

Recently, DDI co-sponsored and presented at The Conference Board's 2006 Talent Management Strategies Conference. We distributed a survey to the attendees to gather information about the state of talent management in their organizations. The survey included four sections, each focusing on a different aspect of talent management. The audience was predominantly made

up of senior-level human resources/organizational development professionals and executives. The companies ranged in size from less than 1,000 employees to more than 30,000. There were representatives from a wide range of industries, including pharmaceutical, IT, finance, insurance, education, and manufacturing.

We received 82 responses that are summarized into key findings in this summary. We were also able to track trends against a similar survey administered at the 2005 Conference Board Talent Management Strategies Conference. Here are our top six findings:

FINDING 1: The state of talent management is one of disarray.

In this section of the study, we surveyed respondents on nine components of talent management. The survey results indicate that the majority of organizations have implemented the essential ingredients required for successful talent management. Those elements with the highest adoption rates include execution/performance management, coaching/development, and succession management. The components with the lowest adoption rates are talent software systems, assessing potential and readiness, and competency/success profiles. Two of these low-adoption practices are cause for concern. Clearly identifying the "characteristics" (skills, knowledge, personality, etc.) required for successful performance, and then evaluating the candidate against those characteristics must be at the

heart of any talent management system. To not identify and evaluate the characteristics is akin to flying blind.

Unfortunately, comparing the data captured in 2005 with the 2006 data (*Figure 1*), we find that not much has changed in the inter-

vening 12 months. In the most comparable categories, components are actually being used less—a clear indicator that companies are not aggressively closing the gap by adopting “best practices.”

FIGURE 1: YEAR-OVER-YEAR USAGE

COMPONENTS OF TALENT MANAGEMENT	% CURRENTLY USING COMPONENTS		CHANGE
	2005	2006	
Early Identification of Leadership Potential	92	67	– 25%
Competency/Success Profile Analysis	81	65	– 16%
Talent Management Process Design	85	70	– 15%
Assessing Readiness for Promotional Placement	75	61	– 14%
Business Strategy Execution/Performance Management	94	85	– 11%
Talent Management System Software	46	49	+ 3%
Coaching and Development	87	95	+ 12%

Of course, adoption of a practice does not automatically equate to that practice being used effectively, as suggested by the level of

satisfaction respondents have with their current talent management systems (*Figure 2*).

FIGURE 2: SATISFACTION WITH CURRENT TALENT MANAGEMENT SYSTEMS

COMPONENTS OF TALENT MANAGEMENT	PERCENT SATISFIED
Executive/High-Potential Leadership Development Programs	44
Coaching and Development	42
Competency/Success Profile Analysis	41
Talent Management Process Design	30
Business Strategy Execution/Performance Management	28
Talent Management Software	23
Succession Management	18
Early Identification of Leadership Potential	15
Assessing Readiness for Promotional Placement	11

As Figure 2 shows, overall satisfaction with talent management components is low across the board, with all well under the 50-percent level. The highest levels of satisfaction, all over 40 percent, are with high-potential programs, coaching, and success profiles. On the other hand, only 18 percent of respondents indicated that they are happy with their overall succession management systems. Even worse, only 15 percent are satisfied with their approach to early identification of leadership potential. This is in spite of data from Hewitt showing that those companies with metrics in place to assess and identify potential in their leaders all fall within the top quartile in total shareholder return (TSR). In addition,

only 11 percent of respondents are satisfied with the way their organizations go about assessing readiness for promotion. Given the picture painted by these numbers, it's little wonder organizations are reporting high leadership failure rates.

Facing low satisfaction with, and decreasing use of talent management programs, many companies are searching for answers. Figure 3 shows that about half of the companies surveyed plan to seek outside help with their high-potential programs, coaching, and talent software. These are areas in which organizations may either not have the sufficient internal staff or resources for development and delivery, or they may place a high value on an outside perspective.

FIGURE 3: SEEKING OUTSIDE HELP

COMPONENT	PERCENT SEEKING OUTSIDE HELP IN THE NEXT 24 MONTHS
Executive/High-Potential Leadership Development Programs	57
Coaching and Development	50
Talent Management System Software	48
Talent Management Process Design	35
Competency/Success Profile Analysis	30
Early Identification of Leadership Potential	25
Assessing Readiness for Promotional Placement	24
Succession Management	23
Business Strategy Execution/Performance Management	19

FINDING 2: High-profile executives are held in low regard.

When survey participants were asked about their perception of the strength of their own senior team (Figure 4), in no single area did more than 43 percent of the respondents consider their executives to be strong. What the numbers showed:

> *Few leaders are really effective at talent optimization.* Experience has reinforced our belief that there is nothing more important than coaching and nurturing today's talent to meet tomorrow's business challenges.

> *One-in-three leaders are ineffective in the area of self-insight and awareness.*

“Know thyself” is the very foundation of effective leadership, yet it is a foundation that leaders too often lack.

> *Nearly one-third of respondents find executives weak in terms of functioning as a cohesive team.* Respecting differences and leveraging team members' individual strengths are critical for strong senior team performance, and in turn, the organization's performance as well.

FIGURE 4: SENIOR LEADER EFFECTIVENESS

COMPONENT	LESS THAN EFFECTIVE	EFFECTIVE	MORE THAN EFFECTIVE
Talent Optimization	41%	45%	14%
Catalyzing Change	27%	51%	22%
Senior Team Development	31%	47%	22%
Self Insight and Awareness	35%	42%	23%
High Performance Culture	27%	46%	27%
Strategic Relationship Building	25%	44%	31%
Strategy Execution	15%	42%	43%

FINDING 3: University learning does not always make the grade.

Looking at the data in Figures 5 and 6, about 84 percent of the survey respondents rely on academia to handle their executive development programs. Curiously however, only one-in-five respondents feel that universities are effective in handling their executive development—in spite of the \$5,000- to \$12,000- (or higher) price tags that accompany these programs.

FIGURE 5: UNIVERSITY / EXECUTIVE / EDUCATION PROGRAMS

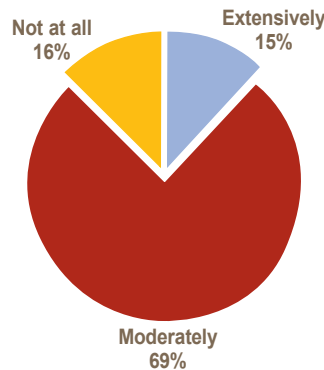
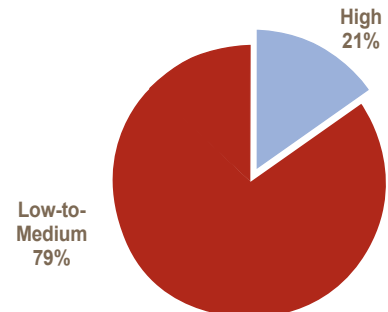


FIGURE 6: EFFECTIVENESS OF UNIVERSITY / EXECUTIVE / EDUCATION PROGRAMS



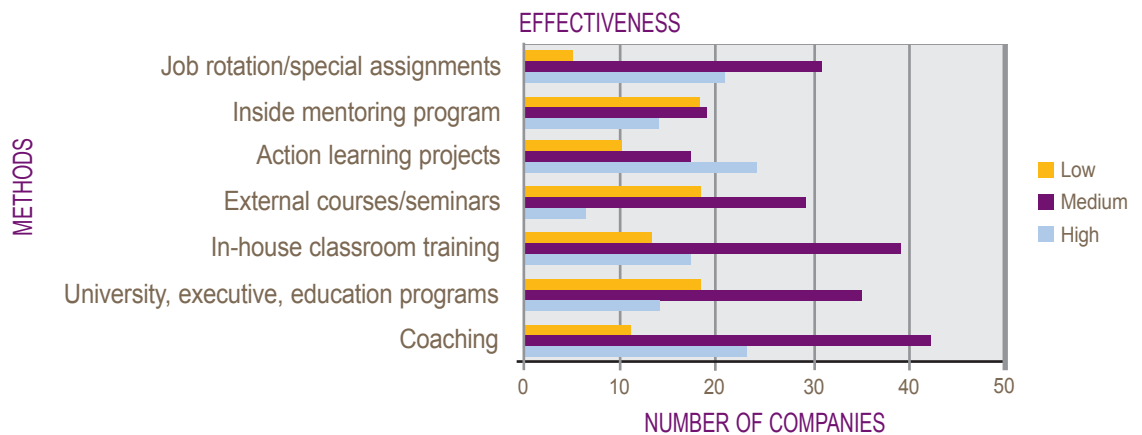
While these findings are significant, we are not claiming that university programs are without merit—they should be viewed as part of a development mix. For example, business acumen, financial analysis, and functional skills (such as marketing and strategic planning) are areas where universities can add value. But they may not be best equipped to deal with the realities of such issues as succession management, optimizing diversity, building future bench strength, and coming to grips with the challenges related to one’s own emotional intelligence. What’s more, many university offerings are still “generic” public programs, bucking a trend in which highly relevant and instantly applicable development has

become the favored approach for preparing leaders to address challenges. Behind this trend is a belief that utilizing only one resource may not be the best approach to developing high-potential leaders.

**FINDING 4:
Active learning +
classroom learning =
effective leadership development.**

Figure 7 illustrates the perceived differences in the effectiveness of various talent development practices. As this figure shows, experiential learning methodologies (such as action learning projects, coaching, and job rotations/special assignments) are viewed as the most effective.

FIGURE 7: DEVELOPMENT PRACTICES EFFECTIVENESS



One reason these methodologies receive high marks is their ability to offer real-time application (learning by doing). Experiential learning is more relevant to the person’s job and organization, which increases the likelihood that learning will stick when that individual is back on-the-job. Another reason is that the demands of today’s leadership environment make it difficult for leaders to sit still for long periods of time. As a result, leaders have understandably come to desire a learning environment that matches the way they work.

Of course at DDI, we realize that classroom learning does have its benefits. Through decades of delivering classroom training, we have demonstrated that classroom approaches—combined with a heavy dose of practice—can bring about significant improvements in skills, such as coaching, conflict management, and building teams. Overall, classroom learning works best when combined with action learning projects, job-relevant skill practice, and coaching (from inside or outside of the organization).

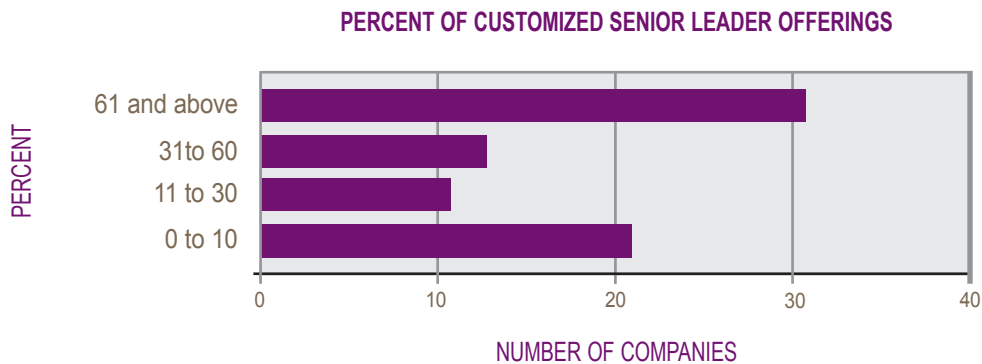
FINDING 5: When it comes to executive development, one size does not fit all.

There are many different ways to approach executive development, both from a training composition, and a delivery perspective. In the book *Grow Your Own Leaders*, by DDI’s Bill Byham, Audrey Smith, and Matt Paese, they describe the various components of effective training for executives. Among them are: choosing the appropriate training mode, customizing training without “overdoing” it, and selecting the right venue (internal, external, classroom, etc). Incorporation of these components is necessary for an organization to reap the

maximum ROI from its training efforts for these all-important leaders.

To this point, we are encouraged to see that the data indicates that organizations have this one right. Figure 8 shows that the large majority of organizations surveyed (45 out of 78) are tailoring or customizing one-third or more of these offerings. At the same time, there is a healthy respect for more standard approaches to development; leveraging the proven effectiveness of outside content and learning domains. By varying the modes, facilitators, and venues you will be able to truly maximize your efforts with your executive audience.

FIGURE 8: UTILIZATION OF CUSTOMIZED OFFERINGS

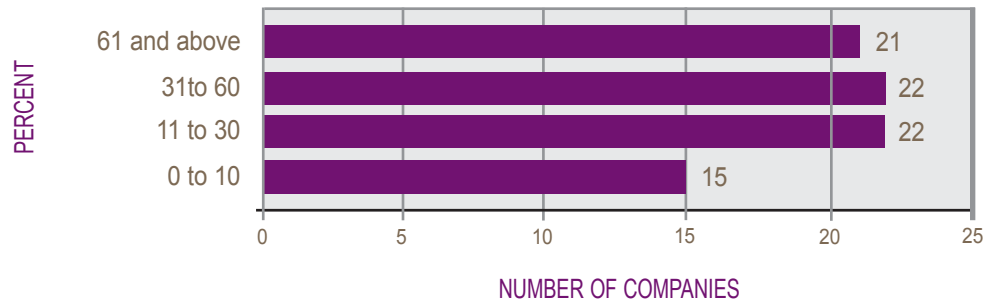


FINDING 6: When it comes to delivering senior-level programs, organizations are mixing it up—relying on both internal and external resources.

When we asked about the source of facilitators for their organization’s senior level programs, most respondents said that their organizations rely heavily on outside facilitation. Still, as shown in Figure 9 on the next page, there is a healthy balance between the use of external and internal facilitation.

There are definite advantages to using internal faculty—potential cost savings, internal facilitators have an intimate knowledge of the organization, using senior leaders to train junior leaders sends a powerful message. On the other hand, outside facilitators can bring to the job perspectives, experience, areas of expertise, and resources that can ramp up leaders more quickly.

FIGURE 9: PERCENT OF PROGRAMS AND LEARNING EXERCISES DELIVERED BY EXTERNAL FACULTY, COACHES, OR INSTRUCTORS



TALENT MANAGEMENT: MOVING FORWARD

So what does all of this information tell us? After looking at these findings, are you nodding your head thinking, “This all applies to my organization?” If so, you are not alone. While most organizations do have the necessary processes in place, they are struggling with implementation.

So what is the first step toward overcoming this struggle? How can you better drive

your business and people goals? The overarching conclusion we can draw from these results is that effective talent management requires taking a broad view of your organization’s talent requirements. It also demands that many disparate systems need to work together in an integrated fashion to realize the biggest return on your investment. Only through the combination of a broad view and proper system alignment can talent management be sustained for the long term.

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DDI has a number of solutions, tools, and resources to help organizations successfully manage their talent locally and globally—from better hiring practices, to filling your leadership pipeline, and developing your senior leaders and top executives to better manage talent and execute your organization’s business strategies. To learn more contact DDI at 1-800-933-4463 or visit us at www.ddiworld.com

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Dr. Wellins is responsible for leading DDI’s research programs, launching new solutions, building strategic alliances, and executing marketing strategies. During his tenure at DDI, Wellins has authored five books on leadership and teams. Most recently, he served as DDI’s overall project leader in the development of a new competency model for workplace learning professionals, sponsored by the American Society for Training and Development. Currently, he is involved in consulting engagements with Leed’s, Texas Children’s Hospital, and Grant Thornton.

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