We believe: An organization can only be as competent, responsive, agile, and innovative as the people that constitute it. However, such people are hard to come by and harder to hold, making their recruitment and long-term retention a difficult proposition in current times. Companies are in constant flux, and established business models are in jeopardy. They need to become faster, more flexible, and more innovative in order to master the challenges of digital transformation and the VUCA age. In this context, it can be essential for survival to have modern leadership structures in place that offer the necessary liquidity and agility and to attract motivated, competent people who are willing to change and evolve alongside their organizations. Facts of life like aging workforces, different values of new generations, and changes brought about by the rise of New Work, are creating even more pressure and even more urgent need for a meaningful response.

Important positions remaining vacant for weeks and months or staffed with the wrong people for the job will bring major financial repercussions for any organization. On average, vacancies remain unfilled for 46 days; in some instances, it can take twice as long to find the right candidates. This does not only create substantial recruiting costs at an average of €2500 for pure HR spending. It also means a substantial loss in performance and revenue. With an average staff fluctuation rate of between five and ten percent in a highly competitive labour market, it becomes a major advantage to reduce these costs and put the “people” factor at its deserved prime position in the pursuit of commercial success. State-of-the-art people management can reduce the cost of filling a vacancy by 25 percent, speed up the process by around 30 percent, and reduce the fluctuation rate by a third. It all depends on one essential lever: Talent management.

In our work as consultants, we are committed to helping our clients take their talent management to the strategic level, to empower them to anticipate external and internal challenges alike and to respond immediately to them. We sincerely believe that organizations can stay competitive first and foremost by way of innovative talent management. This has long passed the stage of being present at career fairs or introducing standard career tracks. Instead, successful talent management needs an inclusive understanding of the term, a sense for individual needs and expectations, transparency, a genuine dialogue, and attention to the question of potential.
ABOUT THE STUDY

Have companies realized this and reacted accordingly? What is the state of talent management at European businesses today? What makes good talent management, and where do we need further improvements? How can talent management deliver tangible benefits for the business?

This study intends to offer some answers to these questions, survey the state and maturity of European talent management practices, identify the success factors, and contribute concrete recommendations for practitioners. 322 participants joined our online survey, including 204 HR professionals and 118 participants who could be classed as talents (employees and executives) from many different companies. This first direct comparison of vantage points of HR professionals and their clients – talented employees – will offer invaluable insights for practical application. The results can help companies of all sizes and sectors of industry to put their people management efforts and, by extension, their business models on a sound footing for the future.

Academic Partner:

Kienbaum Institut @ ISM
LEADERSHIP & TRANSFORMATION
EXECUTIVE SUMMARY

POOR EXECUTION

83% of HR professionals consider the issue very urgent.

But only half of all companies have a talent management strategy in place.

Of HR managers believe their talent management practices to be innovative.

65% of talented employees agree with their assessment.

Only 55% of talented employees are satisfied with their companies’ talent management.

SLOW INNOVATION

Only 38% of talented employees are satisfied with their companies’ talent management.

But only 30% of talented professionals believe it is their responsibility to develop further.

At 68%, the term talent is reserved to high potentials for key positions.

LIMITED INITIATIVE

Only 1 in 3 companies allow their employees to develop outside of established career tracks.

But only 42% of companies enable their employees to manage their development.

Of companies, the term talent is reserved to high potentials for key positions.
THE GAP BETWEEN AMBITION AND REALITY:
*Good Intentions Are Not Enough*
1 THE GAP BETWEEN AMBITION AND REALITY: 
Good Intentions Are Not Enough

We believe that business leaders and top managers need to be aware of the great weight of the topic for their businesses in order to genuinely embed their talent management practices in their corporate strategies. They need to understand the relevance and the urgency accurately in order to take the steps that are needed. This does seem to be the case at many companies in Europe. Around 75 percent of the respondents confirm that talent management figures on the agenda of their companies’ managers. Two thirds see a direct impact of talent management on business development, and more than four fifths consider the topic to be urgent. 75 percent of the participants also believe talent management is essential for the future of their companies.
Contrasting sharply with the great importance awarded to the question of talent management, the processes and structures that are in place lack strategic alignment and maturity. In uncertain and highly competitive constellations, it is just as important for companies to think about their business models as it is to consider the people needed to shape a successful future.

Companies need to find clear answers to these questions – meaning a genuine strategy – and communicate them in a transparent and comprehensible form to their people. As trivial as this might seem, it does not reflect actual reality in business. Only 55 percent of the surveyed HR professionals believe their companies have a dedicated strategy for talent management.

**1 THE GAP BETWEEN AMBITION AND REALITY: Good Intentions Are Not Enough**

“Our company has a concrete and defined talent management strategy.”

“Our talent management strategy is coherently aligned with the strategy of our company.”
1 THE GAP BETWEEN AMBITION AND REALITY:
Good Intentions Are Not Enough

Talent management strategies rarely seem embedded in the wider strategy of the companies in question, as only around half of HR professionals and talents can see such links. More than 40 percent of companies have no clear processes or procedures, and one third of those that do have not adjusted them to match the different target groups they are meant for.

The talent management portfolio covers a wide range of tools and instruments, some of which are not actually being noticed or used by the employees in question. The budget allotted to talent management also does not seem to reflect the great strategic priority awarded to the topic at many companies today:

About a quarter of all companies does not have any dedicated talent management budget, another quarter has reduced that budget in the last year.

"Our talents are satisfied with the talent management at our company."

"I am satisfied with talent management at my company."
In an age in which talented professionals seem to have virtually absolute freedom of choice, which company they want to work for and in which organizations have major difficulties finding, recruiting, and retraining good employees, employee centricity is a crucial issue in talent management. We are convinced of this and suggest that talent management can only be effective if it engages with the specific needs and expectations of talented employees. Their satisfaction is one key factor for greater engagement for their employers and can be a very accurate indicator for the effectiveness of the talent management measures currently being used. This makes it even more problematic to see that only around two in five talents are satisfied with the talent management offerings at their companies or believe that these match and fulfil their needs.

The impression would seem to be that satisfaction with talent management services is either not tracked accurately or generally overestimated: Around half of the HR participants were not able to give an accurate rating of the satisfaction levels of their talents. At the same time, they overestimate how well their talent management offerings match the needs and expectations of their target clients. The selection criteria are also seen in very different terms by HR professionals and talents. Less than half of the participating talents say that the selection of talents is based on fair, objective, or transparent criteria, while around 60 percent of HR professionals assume the process to be fair, objective, and transparent. The gap between ambitions and reality, already mentioned above, can again be seen in these differences in the perceptions of the two groups.
Human resources and financial resources are not limitless. This makes it even more important to target the available resources better at the actual needs of the talents they are meant for in order to ensure their efficient use. Only slightly more than one third of employees believe that the talent management instruments and tools that are currently being used are actually helpful. A leaner selection that is more in line with the needs of the talents would not only save time and money and make the entire process more transparent. It would also ensure greater satisfaction among talents.
3 INNOVATION: 
Making the Leap

HR professionals and the talented employees do have considerably different perceptions of innovation. 65 percent of HR managers state that innovative thinking and innovations are important for their companies in talent management, whereas only 30 percent of talents experience such innovative concepts in practice. There can be no doubt about the urgent need for real innovation in talent management if companies want to maintain their connection with the talents they depend on.

Gap between the HR and employee perspectives: Innovative thinking
(Mean score on a scale from 1: Do not agree at all to 5: Fully agree)

Where do these differences in perceptions come from? Even though many companies produce innovative products, they still tend to follow conservative and elitist beliefs in the field of talent management. Around 70 percent of the participants confirm that their companies’ talent management practices are aimed squarely at high potentials for key positions or leadership roles.

Only one in every three companies uses HR development concepts that are not bound to traditional career tracks and a vertical progression through the hierarchy.
HR departments are generally aware that their current talent definitions would only apply to a minority group of employees: Only a third of them sees their talent definition as sufficiently inclusive (“In our company, everybody is considered, treated, and developed as a talent”). At the same time, companies that espouse a more inclusive definition of talent are regularly more innovative than companies that apply a more restrictive concept.

In order to become more innovative, organizations need to consider a more inclusive definition of talent and rethink their established systems.

The link between talent definitions and innovative concepts*
(Mean score on a scale from 1: Do not agree at all to 5: Fully agree)

*The innovative concepts were rated with the subjective perspectives of HR practitioners and talents in terms of the general innovative capacity of talent management, using 10 items on a five-point scale from 1: Do not agree at all to 5: Fully agree.
THE MANAGER’S ROLE: Investing Time Pays Off
4 THE MANAGER’S ROLE: Investing Time Pays Off

Since talent management holds such strategic priority, all people involved should be willing to invest time and effort into the topic. One key role in this is played by line managers, as they represent the interface between organizations, their strategies, and their people on the ground. The time that managers are investing into talent management seems relatively limited when the relevance of the topic is considered: Only around half of HR professionals and a third of talents believe that their line managers are investing substantial time and resources into talent management. This might be due to a lack of incentives for this type of unusual involvement, as around a quarter of both HR professionals and talents suggest.

It seems crucial for talent management to become a prime topic for managers everywhere, as their intensive involvement in this area will pay off in the long run in the form of satisfied and loyal talents.

Companies whose managers are genuinely involved with talent management show statistically higher satisfaction levels in their talent population.*

* Talent satisfaction was measured from the talent’s subjective vantage point, using a five-point scale from 1: Do not agree at all to 5: Fully agree. A regression analysis was conducted to rest the positive effect of managers’ involvement with talent management on customer satisfaction. There is statistically significant evidence of this, with a level of confidence of 99 percent.
AUTONOMY AND OWNERSHIP:
Trusting Your Talent
5 AUTONOMY AND OWNERSHIP:  
*Trusting Your Talent*

We are certain that organizations should leave the responsibility for the development of their talents to those talents themselves, while offering them the best possible support to move forward and take charge of their careers – be it through the transparent and objective criteria of career management (“What is needed to be successful here?”) or through individual coaching and a permanent dialogue with them.

Suitable technical support can enable talents to design their own careers, pick the right development activities, and get feedback from their superiors, peers, co-workers, or other stakeholders. This can only function if all employees are given enough trust and autonomy (and if the right systems are in place).

HR professionals are still underestimating the expertise and self-efficacy of their talents. 60 percent of employees say that they can use their IT systems without difficulties for the purpose, even though only 41 percent of HR managers trust them to do so. The same can be found when their sense of ownership for their careers is concerned: 83 percent of talents consider themselves the first people responsible for their own development, while only 42 percent of the participating HR professionals state that employees can manage their development effectively.

Personal responsibility, trust, and a dialogue are the building blocks of agile talent management. Our study has revealed how well these qualities line up with the basic attitudes of talented professionals.
WHAT CAN BE DONE?
Opportunities for Innovative Talent Management
6 WHAT CAN BE DONE?

Opportunities for Innovative Talent Management

We can confirm that modern companies have come to realize the great importance of optimum talent management practices. Still, many of them fall short of their ambitions. They lack a clear strategy and sufficient sense for the actual needs of the talents they want to reach. The first step would be to reach out more to those talents and understand their needs and expectations. More innovative concepts are also needed for developing talent. HR departments are investing substantial time and resources into stabilizing existing systems and developing a battery of products and services, often without a coherent link, a clear purpose, or pragmatic implementation.

It is not surprising that organizations are pointing to a supposed lack of time and resources: Talent managers need to ask themselves “Are we doing the right thing?” and have the courage to jettison the ballast and try radical new approaches. Established talent management processes were mostly aimed at filling defined key positions with a select, homogenous group of top talents. Modern talent management needs to be more personalized, flexible, and self-responsible in order to inject more agility and openness into the organization. We are certain that this would enable companies to respond to even unexpected internal or external changes with major repercussions for their strategies or business models by placing the right talents in the right positions.

In order to align talent management effectively with the needs of the business model and corporate strategy and with the challenges of the modern world of work and the changing expectations of talented professionals, we have four recommendations for practitioners in the field:
6 WHAT CAN BE DONE?  

Opportunities for Innovative Talent Management

1. FOCUS ON THE BUSINESS GOALS:
Effective talent management needs a talent management strategy that is directly derived from the corporate strategy, and it needs defined management principles and indicators in place. These are indispensable for ensuring that resources invested into talent management are worthwhile and have a tangible impact on the company’s success.

2. RETHINK TALENT IN MORE EXPANSIVE TERMS:
Companies need to ask themselves which types of talents they are looking for to maintain success far into the future. Personality and potential are increasingly becoming the two key factors, whereas formal qualifications and experience are getting less relevant. The talents of today and tomorrow need to be ready to learn, evolve, and change above all else. For a company to become truly innovative, it needs a mixed group of talent profiles that is capable of challenging the old order and find new ways of moving forward.

3. USE NEW MEANS OF IDENTIFYING TALENT:
Organizations need to see people in more holistic terms and collect feedback from more sources (e.g., clients, peers, supervisors, project managers) to start a new discussion. That dialogue will reveal the strengths the talents can contribute. Employees should not be forced into “one size fits all” development programmes that only promote homogeneity and rigidity. Still, all decisions should be based on meaningful facts and figures to make the process more objective and its added value for the organization more tangible.

4. PUT THE TALENTS FIRST:
To retain and keep talents loyal and to enable them to express themselves and produce their best for the business, they deserve to be the focus of the company. Methods like design thinking can help develop people-centric approaches that truly engage with the needs of the talented people they are meant for. Talents also need a stronger sense of ownership in all of this. HR and managers are their guides and can show them the opportunities for development they have. They translate the expectations of the organization for the individual employee and make sure that the right conditions are in place to keep talented employees motivated and committed.
People make companies succeed. That is why Kienbaum puts people first in all of its consulting services. We support private enterprises and public institutions striving to develop and evolve with their people. Our strength: Enterprising and innovative solutions that move people in organizations.

Finding, inspiring, developing, assessing, and appreciating people – that is our passion. We prepare organizations for a promising future, introduce changes and communicate them with the interests of our clients and their people at heart. Our mission is to promote competences, drive implementation, and accelerate change. As leading HR and management consultants, we put the individual needs of our clients first. This includes change processes as much as recruitment, compensation, or HR development. Therefore we provide unique solutions to our clients – made by people with people in mind.

Kienbaum is a family-owned, partner-managed enterprise. We have committed ourselves to providing reliable services as the equal partners of our clients. Kienbaum has been evolving for more than 70 years and keeps moving forward with a sense for the forces of change creating the future of our clients, the markets, and the world economy.

Kienbaum is diverse. Our consulting services cover the entire value chain for people, organizations, and communication. With our fully integrated executive search, human capital services, change and organization consulting, and communication operations, we combine the expertise of our diverse teams and benefit from the practice-oriented research of the Kienbaum Institute at the International School of Management (ISM).
HR TRANSFORMATION

The HR function and traditional HR units are undergoing massive changes, powered currently by the trend towards digital transformation. They are finally gaining recognition as a leading creative force in any organization’s development. The measurable and comparable effect of competences, the availability of human resources, especially in the form of (digital) talent and specialists, and the formation of innovation teams and reimagining of old, labour-intensive business models have become the priority. The operational support and specialist function of HR, be it the traditional role as functional service provider or the long-propagated Ulrich system of business partners, experts, and service providers, is not fully effective when it comes to contributing value in terms of innovation, change, and project excellence. Looking at the figures alone, whether they are HR costs or headcounts, also has little meaning when it comes to HR’s many new roles on the operational and administrative and the critical strategic side.

We assist companies and their HR units in the design of people / workforce strategies and functional strategies. This includes the development of innovative custom HR organization and governance models with optimized HR processes, HR job landscapes and competences / authorities, and IT and digital support for processes, systems and tools, all supported by dedicated implementation planning and change management support.

We do not see HR as ill-defined business partners, low-profile service providers, or detached centre of competence; instead, we define organizational and role profiles with “run & change” operational and business model dimensions. We consider HR as digital innovators, talent and culture managers, and the strategic advisors for all business areas and experts for processes and systems.
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