



# Talent Management Maturity: High-Performing Organizations Invest in a Relationship with their Talent

## Introduction

Today’s organizations face substantial challenges in engaging, retaining, and leading their workforces for reasons that range from major demographic shifts to the impact of technology to increased globalization. For the better part of a decade, organizations have invested in “integrated” talent management, yet to many leaders that approach now seems inadequate to meet the challenges at hand. Human Resources leaders today are wondering which talent management practices they should invest in more, which ones they can reduce or stop their investment in, and which new ones require attention. Our High-Impact Talent Management research<sup>1</sup> was designed to answer these questions.

## The Talent Management Maturity Model

In our new talent management research, we developed a maturity model that identifies key talent practices Global 2000 organizations with strong business and talent outcomes use most effectively. The Talent Management Maturity Model (see Figure 1) shows a clear progression of

capabilities, with Level 1 organizations having the least amount of sophistication and Level 4 organizations the most.

The four levels of maturity are as follows:

- **Level 1: Essential Talent Activities** – Organizations are focused on performance management and talent acquisition functions, but with most practices still siloed and little or no talent strategy in place.
- **Level 2: Critical Talent Growth** – Organizations have an increasingly clear talent strategy, more sophisticated talent processes, and increased integration.
- **Level 3: Managed Talent Relationships** – Organizations have a clear talent strategy and a strong learning culture, and are beginning to move beyond compliance-based diversity & inclusion (D&I) activities.
- **Level 4: Inclusive Talent Systems** – Organizations have fully developed and integrated talent activities aligned to strategic outcomes, and a progressive D&I approach that is embedded in the employee experience.



Figure 1. Bersin by Deloitte Talent Management Maturity Model.  
Source: Bersin by Deloitte, 2015.

More than 70 percent of Global 2000 organizations surveyed are in lower levels (Level 1 or 2) of the model. These organizations primarily focus on individual talent practices. Specifically, Level 1 organizations tend to focus on fundamental talent management practices and lack consistency in these activities. Level 2 organizations attain a level of talent management excellence, meaning they have solid practices in place and are increasingly focused on employee growth.

Our data indicate a major difference between Level 2 and 3 organizations, and that most organizations struggle to cross the chasm between these two maturity levels. While it is true that organizations at higher levels of the maturity model (Levels 3 and 4) are gaining sophistication

in talent management that statement does not go far enough.

Level 3 organizations (19 percent of surveyed organizations) begin to fundamentally approach talent in a different way. Instead of viewing talent as a cost, they see it as a part of their competitive advantage. Therefore, they do not just focus on talent management excellence, but also invest in a relationship with that talent to gather its collective intelligence and respond to that insight appropriately. To do this, these organizations implement technology systems, processes, and practices designed to ensure that both individuals and the organization communicate with and understand each other. Think of it as a sort of mass talent customization approach where the organization does the following:

1. Knows about individual employees (as a result of data analytics, widespread succession management conversations, real-time feedback systems, etc.).
2. Communicates back to them (via blogs or social media, changes to policies, projects, or approaches, or through other appropriate mechanisms).
3. Makes changes to the organization that reflect employees' needs.

As a result of these efforts, many individuals in these organizations begin to have a talent experience that feels at least somewhat customized for them, with the organization listening and responding to their needs.

The primary differentiator between Level 3 and 4 organizations is that Level 4 organizations focus much more intentionally on D&I. This is an extension of the two-way conversation with talent, whereby the organization is trying to understand employees and to create an environment that enables them to feel comfortable and to contribute fully. Level 4 organizations' efforts in this area go beyond embracing D&I from a rhetorical or compliance perspective, and instead extend into making D&I more strategic and embedded in the holistic talent management system. These efforts are part of mature organizations' intentions to create an employee experience that encourages employees to bring their whole selves to work and, in turn, to contribute at a maximal level of engagement to the organization.

## The Benefits of Higher Maturity

One of the most important questions to answer when assessing a maturity model is, "does higher maturity have an impact on the outcomes we care about?" In short, the answer is yes. Our analysis shows that organizations at high levels of maturity (as compared with low levels of

maturity) are:

- Nearly four times more likely to effectively coach and develop people for better performance;
- Approximately three times more likely to identify and develop leaders effectively; and,
- Approximately two times more likely to be more agile and innovative.

We also found a relationship between maturity and objective financial measures. As compared with organizations of similar size with less mature talent management practices:

- Mature large<sup>2</sup> organizations had approximately two times higher cash flow per employee over a three-year period.
- Mature small<sup>3</sup> organizations had 13 times higher mean cash flow from operations, five times higher mean cash flow as a percentage of revenue, and five times mean annual change in share price (all based on a three-year average).

## Implications of the Talent Management Maturity Model

Given these findings, what should leaders do differently with their talent? An initial activity is to assess the organization's talent management maturity. With this insight in hand, leaders should follow a three-step process for working to improve maturity (see Figure 2).



Figure 2. Three-Step Process for Improving Talent Management Maturity Source: Bersin by Deloitte, 2016.

### Strengthen Foundational Talent Management Practices

For organizations at lower levels of maturity, leaders should invest in creating a basic level of talent management excellence at foundational talent management activities. Specifically, this means:

- Analyzing the organization's structure to ensure it is aligned to business needs and that decision-making processes are clear;
- Enhancing the organization's talent sourcing and selection capabilities;
- Implementing and communicating fair talent policies and procedures; and,
- Creating performance management (PM) activities focused on improving managers' and direct reports' conversation quality, direct reports' development, and overall fairness of PM activities.

## Endnotes

<sup>1</sup> High-Impact Talent Management: *The New Talent Management Maturity Model*, Bersin by Deloitte / Stacia Sherman Garr and Candace Atamanik, 2015. This research is the result of more than two years of study, and is based on a survey that included 1,465 organizations in its sample from a wide variety of industries, organization sizes, and geographies. This analysis is based on the subset of organizations called the "Global 2000," which are the 454 global organizations in our survey population that had more than \$750 million in revenue, which aligns to the cutoff of Global 2000 organizations.

<sup>2</sup> For the purposes of our research, we define "large organizations" as public companies with more than 25,000 employees. The differences in means are statistically meaningful at the 95 percent confidence level.

<sup>3</sup> For the purposes of our research, we define "small public companies" as those with less than 10,000 employees. The differences in means are statistically meaningful at the 90 percent confidence level.

<sup>4</sup> "Differentiating factors" are those that are most predictive of performance on our maturity model.

## About the Author

Stacia Sherman Garr, vice president, directs Bersin by Deloitte's Talent and HR research, and has nearly a decade of experience writing research and advising clients. Her expertise extends to a wide variety of topics, including talent strategy, performance management, leadership development, employee engagement, career management, employee recognition, workforce planning, and diversity and inclusion. Prior to joining Bersin, she worked as a senior analyst for the Corporate Executive Board, serving as both a research analyst and an instructional designer. She also served as an adjunct history professor at Northern Virginia Community College. Garr holds a Master of Business Administration from the Haas School of Business at the University of California, Berkeley. She also has a master's degree from the London School of Economics and bachelors' degrees in History and Political Science from Randolph-Macon Woman's College.

### *Develop a Business-Aligned Talent Strategy*

After addressing the foundational talent activities, organizations should develop or enhance their talent strategy. Our research found that only 12 percent of organizations currently have a clear talent strategy. To effectively reach higher levels of maturity, organizations need to create a talent strategy that:

- Aligns to the business strategy;
- Maintains appropriate focus on foundational talent activities; and,
- Invests in “differentiating”<sup>4</sup> talent management practices aligned to business needs (see below).

### *Invest in Critical Differentiating Talent Management Practices*

Our research identified three “differentiating” talent management practices organizations can invest in:

- Improving the organization's understanding of and relationship with talent;
- Increasing the culture of leadership and learning in the organization; and,
- Expanding the investment in D&I.

Each of these practices is critical to achieving higher levels of maturity and we will examine them in turn.

Our analysis reveals that high-performing organizations tend to have a systemic (versus ad hoc) “two-way” dialogue with talent, which enables leaders to understand and respond to employees more effectively. To develop this relationship, organizations need to examine if they should:

- Implement real-time feedback systems (e.g., pulse surveys, recognition systems);
- Leverage blogs and social media; and/or,
- Launch an integrated career management / talent acquisition system that captures information on employees' skills and suggests new job opportunities.

Organizations can also analyze their HR technology systems to improve managers' ability to respond to employees. These systems should not only provide basic system of record information, but also give managers talent insights that help them manage people more effectively. Further, organizations could improve the quality and breadth of succession management conversations, so managers have a qualitative (in addition to a quantitative)

understanding of employees that enables them to change their management approach appropriately.

Another area for many organizations to evolve is their organizational culture, specifically to increase the focus on leadership and learning. This means not just providing formal learning opportunities, but also creating an environment in which leader growth and learning are encouraged informally. Specifically, this means:

- Integrating leadership development with all other talent management activities (e.g., integrating leadership competencies into talent acquisition, connecting leadership development to succession management); and,
- Creating an environment in which learning (even if it can mean failing) is widely encouraged, which can be enabled by senior leader role modeling / reinforcing desired behaviors, adjustments to incentive systems to encourage learning, and encouraging managers to create and reward informal learning opportunities

Finally, the vast majority of organizations need to focus on their D&I efforts. Our analysis reveals that senior leaders should align D&I goals with overall business objectives and some elements of their compensation should be connected to achievement of D&I goals. Further, there should be a very concerted effort to integrate D&I into the talent activities that employees experience frequently, such as learning, career management, and performance management in particular. Integration points should also be strengthened for succession management and talent acquisition.

## Final Thoughts

The good news is that 88 percent of organizations surveyed are likely to have a basic level of talent management excellence (e.g., they are at Level 2 or higher in our maturity model). The trick is in moving up to higher levels of talent management maturity. The first step for any organization is to understand its current level of maturity. After that, the organization should focus on strengthening foundational talent management practices, developing a business-aligned talent strategy, and investing in critical differentiating talent management practices. These efforts should help organizations to attract and retain talent more effectively, and to deliver stronger business and talent outcomes.