Accenture Talent & Organization Performance

How effective are Talent Management practices

> accenture

High performance. Delivered.

Talent Management research

Tilburg University in cooperation with Accenture

October 2009

• Consulting • Technology • Outsourcing

Talent Management and Accenture

How attractive am I to the people I would really like to have in my organisation? How do I best define and develop and retain talent? How do I build up a business case for Talent Management? What critical skills do I need in the future do be successful?

Talent Management is the capability to create and continuously optimize the talent resources needed to execute a business strategy — attracting and developing them; guiding their performance toward optimal productivity in light of strategic goals; and finding new sources of value in their performance through innovation and continuous improvement.

To truly compete on talent—to create what Accenture calls a 'Talent-Powered Organisation'—an organisation must be prepared to do more than just fill in gaps by adding people. You have to be able to multiply your talent by (re)combining skills, knowledge and organisational processes thereby increasing the contributions of individuals, teams, workgroups and entire workforces to increase adaptability, learning, flexibility, innovation and performance and as such create extraordinary value through people.
By multiplying talent, Talent-Powered Organisations can create a sustainable long-term competitive advantage and are significantly more likely to achieve high performance. Alignment of people and performance to business strategy will improve, employees will be more engaged and their productivity will increase.

Core Accenture offerings Talent Management

Talent Strategy:
Articulating strategic goals and defining talent needs (multi-polar world impacts, workforce strategy, segmentation)

Talent Resourcing:
Discovering and deploying talent (sourcing, recruiting, and workforce planning)

Learning and Collaboration:
Defining new ways of working and learning in a technology savvy, geographically dispersed, ever changing world
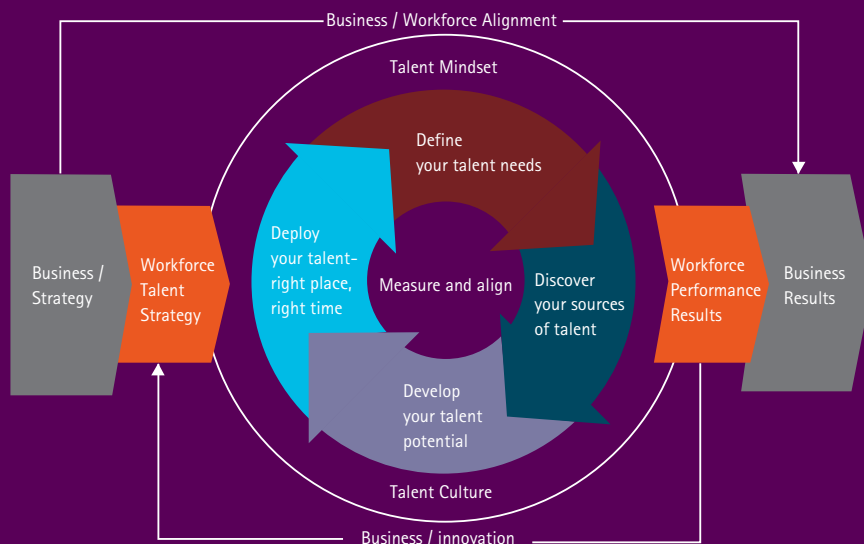
Performance and Rewards:
Measuring and managing performance; aligning rewards with results (objectives, assessments, incentives, recognition)

Workforce Solutions:
Identifying organisation's most critical workforces and defining the capabilities required to increase engagement, productivity, skills and retention.

Accenture offers solutions that build the components for talent multiplication!

Business / Workforce Alignment

Talent Mindset

Business / Strategy — Workforce Talent Strategy

Define your talent needs

Deploy your talent- right place, right time

Measure and align

Discover your sources of talent

Develop your talent potential

Workforce Performance Results — Business Results

Talent Culture

Business / innovation

Introduction

While Talent Management has been acknowledged to be a critical success factor for organisations, there are not many scientific studies on the subject. In order to gain better insight, Accenture and Tilburg started a academic study with high practical relevance towards the effectiveness of Talent Management practices and their impact on the employment relationship in terms of psychological contracts, commitment, turnover intention, differences between generations and differences between an exclusive and an inclusive approach.

This document contains a selection of the research results. The four key findings from this research will help your organisation to understand what and how Talent Management is impacting and affecting your employment relationships. Which Talent Management practices are most effective? What are the results of choices regarding segmentation you can make? Let the conclusions from this research be an inspiration to give focus to Talent Management practises in your organisation.

Main definitions

Talent Management

Talent Management concerns the additional management processes and opportunities that are made available to employees in the organisation who are considered to be "talented"'. This means systematically attracting, identifying, developing, engaging, retaining and deploying those individuals with high potential who are of particular value to the organisation.
Blass (2007), CIPD (2007)

Talent segmentation

Talent can be segmented either from an exclusive perspective (focusing practices on a specific group in the organisation, such as high potentials, in the sense of an elite sub-group of future leaders) or an inclusive perspective (recognizing and focusing practices on the talent of all employees in the organisation).
CIPD (2006)

Psychological contract

When an employee believes he is obliged to perform or behave in a certain way and also believes that the organisation has certain obligations toward him, this employee holds a psychological contract. The psychological contract thus represents an individual's beliefs regarding the terms and conditions of a reciprocal exchange agreement between the individual and the organisation. The psychological contract consists of employee obligations, employer obligations and psychological contract evaluation. Psychological contract evaluation can be measured in terms of fulfilment or violation of the reciprocal obligations. Psychological contract fulfilment is the degree to which a contract party is perceived as keeping its contract terms, whereas the psychological contract is violated when the employee or employer perceives the other does not comply with the promised obligations and consequently has negative emotions towards the other.
Rousseau (1989), Rousseau & Tijoriwala (1998), Sonnenberg (2006)

Generations

A generation is seen as a cohort-group whose length approximates the span of a phase of life and whose boundaries are fixed by peer personality. Generations can be divided in Baby Boomers (born between 1944 and 1967), Generation X (born between 1968 and 1980) and Millennials (born after 1981).
Papenhausen (2006)

Organisational commitment

Organisational commitment describes the strength of an individual's identification with and attachment to an organisation. It has been conceptualized as having three main dimensions: affective, continuance, and normative. This study focuses on affective commitment, which is an employee's emotional attachment to, identification with and involvement in the organisation.
Meyer & Allen (1984; 1997)

Turnover intention

Employees experience turnover intentions when they consciously and deliberately want to leave the organisation.
Tett & Meyer (1993)

Key findings

1.The effect of segmentation on perceived employment relationships

An organisation can chose for two Talent Management approaches when it comes to segmentation, exclusive or inclusive. The exclusive approach focuses the Talent Management practices on a specific group in the organisation, for instance on high potentials, in the sense of an elite sub-group of future leaders. The inclusive approach recognizes and focuses Talent Management practices on the talent of all employees in the organisation.

An exclusive talent segmentation approach results in significant differences in the way employees experience their employment relationships. Especially the psychological contract violation stands out, when an exclu-sive approach is being used in an organisation. This means that employees experience more breach of promises made by the organization. Since previous research has established a high correlation between breach of employer promises and behavioural aspects of employee performance this is an important aspect to consider. Talents experience less psychological contract violation and non- talents experience more psychological contract violation. The differences in percentages between talents and others are smaller f when the segmentation approach is exclusive. These results show that organizations should include the effects on the employment relationship when defining their segmentation approach. Do you want high differences in your employment relationships within your organization? And if so, are you sure that you have the right (for instance performance management) processes in place to distinguish your talents from the other employees? As an exclusive approach has clearly positive desirable effects on your talents but also effects the other employees in the opposite direction.

Figure 1: Consequences of no segmentation (the inclusive strategy)
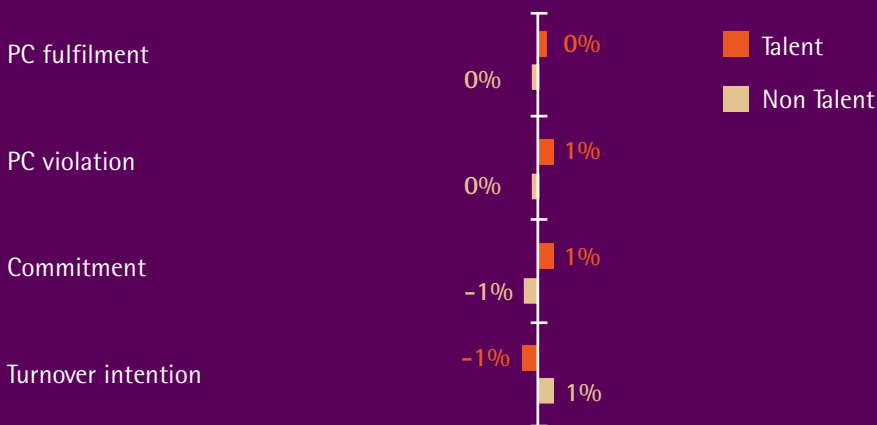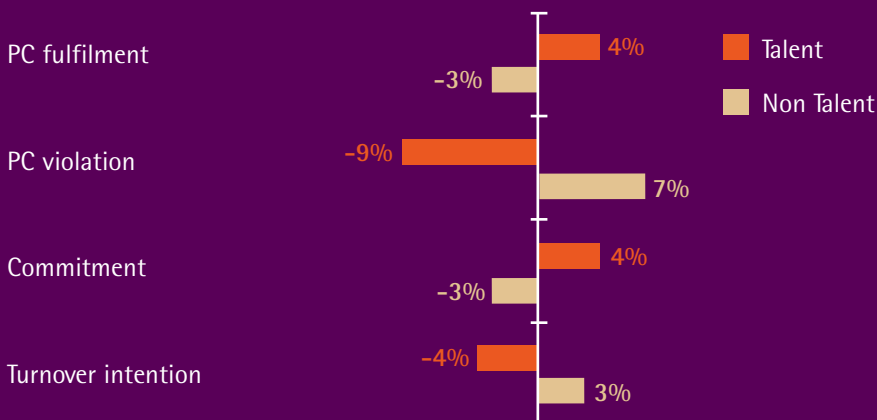

Figure 2: Consequences of segmentation (the exclusive strategy)

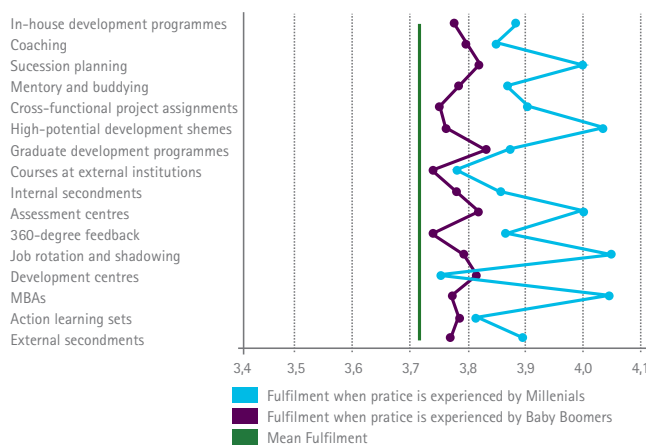## 2. The impact of Talent Management practices on different generations

Talent Management practices are not affecting all employees within an organization in the same way. It is important to distinguish different generations. In this study we divided the workforce into three different generations, namely Baby Boomers (born between 1944 and 1967), Generation X (born between 1968 and 1980) and Millennials (born after 1981) and subsequently explored the effects of various Talent management practices (as defined by the CIPD) on these three generations

The results show that in general Talent Management practices have the largest effect on the Millennials, they experience a substantially higher fulfilment of their employment relationship than the Baby Boomers and Generation X. Also we found that the impact of practices differ by generation, Looking at the different Talent Management practices, succession planning, high-potential development schemes, assessment centres, job rotation and shadowing, and MBAs, are the biggest contributors to the fulfilment of the Millennials.

The main question here is whether your organization is going to choose for a differentiated approach to generations, meaning that you choose to put specific practices for specific generations in place.
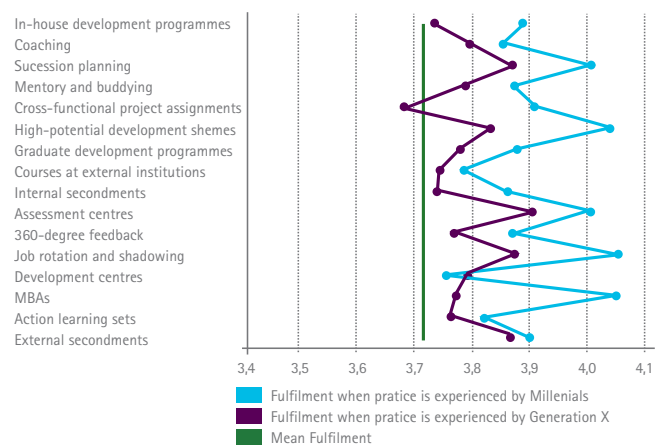
This seems most effective, also considering the costs associated with these practices. This would require for your organization to clearly communicate to your employees why these differences exist.

Figure 3: Fulfilment of talented Baby Boomers and Millennials in relation to their experience of Talent Management practices

In-house development programmes
Coaching
Sucession planning
Mentory and buddying
Cross-functional project assignments
High-potential development shemes
Graduate development programmes
Courses at external institutions
Internal secondments
Assessment centres
360-degree feedback
Job rotation and shadowing
Development centres
MBAs
Action learning sets
External secondments

- Fulfilment when pratice is experienced by Millenials
- Fulfilment when pratice is experienced by Baby Boomers
- Mean Fulfilment

Note: The differences between Baby Boomers and Millennials are significant for high potential development schemes, job rotation and shadowing and MBAs. This means that the results of these practices can be generalised towards respondents outside the sample.

Figure 4: Fulfilment of talented Generation X and Millennials in relation to their experience of Talent Management practices

In-house development programmes
Coaching
Sucession planning
Mentory and buddying
Cross-functional project assignments
High-potential development shemes
Graduate development programmes
Courses at external institutions
Internal secondments
Assessment centres
360-degree feedback
Job rotation and shadowing
Development centres
MBAs
Action learning sets
External secondments

- Fulfilment when pratice is experienced by Millenials
- Fulfilment when pratice is experienced by Generation X
- Mean Fulfilment

Note: The differences between Generation X and Millennials are significant for cross-functional project assignments and MBAs. This means that the results of these practices can be generalised towards respondents outside the sample.

3. The importance of meeting agreements

Psychological contract is a key factor to influence the employees' commitment and turn over intention. The psychological contract is build upon perceived employer and employee obligations and is a good indicator of the status of the employment relationship employees have with your organization. When exploring the relationship between Talent management and behavioural outcomes such as commitment and intention to leave the organization, this research indicates that there is not a direct relationship between talent management and these behavioural outcomes.

The degree of fulfilment of employees'spychological contract is an important variable. This means that as an organizations it is important to live up to the promises made by putting talent management practices in place. Keeping agreements will result in a strong psychological contract, what will increase the employees' commitment and decreases the turn over intention.

Figure 5: Relationship between Talent Management and commitment

$$X$$

| Talent Management | +.335 → | Psychological contract fulfilment | +.571 → | Commitment |

Note: The strength of the indirect relationship between Talent Management and commitment is (.335*.571=) .191. This indirect relationship is significant at the 0.05 level.

Figure 6: Relationship between Talent Management and turnover intention

$$X$$

| Talent Management | +.335 → | Psychological contract fulfilment | −.467 → | Turnover intention |

Note: The strength of the indirect relationship between Talent Management and turnover intention is (.335*−.467=) −.156. This indirect relationship is significant at the 0.05 level.

4. What is the business case for Talent Management?

The results of this study indicate that investing in 16 Talent Management practices as opposed to not investing in Talent Management leads to 27% higher fulfilment of the psychological contract, 34% less violation, 13% more commitment and 19% less turnover intention. Consequently, employees' fulfilment can be estimated according to the amount of experienced Talent Management practices.

Figure 7: The benefits of investing in Talent Management on talented employees' perception of the employment relationship

	Change per added practice	0 TM practices	16 TM practices	% change
PC fulfilment	0,054	3,228	4,092	27%
PC violation	–0,053	2,505	1,657	–34%
Commitment	0,031	3,954	4,450	13%
Turnover intention	–0,029	2,451	1,987	–19%

Talent Management contact persons

We would be more than happy to provide you with more details of this study, the impact on your talent management policies and practices and all our other assets.

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About Accenture

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