

The Talent Forecast

Part 3: Beyond hire and the long-term impact of talent acquisition on an organization.



A global study to uncover what today's talent acquisition leaders can tell us about tomorrow's workplace.

Traditionally, the job of a talent acquisition professional ended when a position was filled. In most cases, they performed in a transactional manner, responding to the ongoing needs of hiring managers and senior leaders to fill positions on a case-by-case basis. Once the candidate was hired, the recruiter moved on to the next position.

Years ago, that type of transactional approach may have been sufficient as companies tended to change strategies less frequently and technology moved at a slower pace. Now, with change advancing at a breakneck speed and the war for talent as intense as ever, a more strategic approach is needed. Talent acquisition needs to be about more than just cost per hire.

Moreover, human capital is the most valuable asset within organizations and the source of competitive advantage—which means that a high-performing talent acquisition function is essential to building sustainable organizations.

There are signs that recruitment leaders and businesses are looking at talent acquisition more broadly. The focus on quality of candidate, retention, and performance of hired candidates continues to increase, but with the lack of internal candidates

equipped to manage the leadership challenges of the 21st century, more needs to be done.

Senior leaders and talent professionals need to work more closely together to develop long-term recruitment and internal development plans to ensure that organizations have talent that is adaptable, agile, and capable of executing and shifting strategies in an ever-changing world.

To explore these issues, Korn Ferry commissioned a global survey on talent acquisition. The survey revealed that talent acquisition professionals, while challenged by competition for talent externally and a shortage of ready-to-promote talent from within, are seeing their role as a more strategic one and looking to better connect recruitment with contribution.

No doubt, the talent acquisition job is getting harder. As discussed in the two previous reports in this series, the solution to building a workforce to support organizational performance lies in adapting to shifting candidate priorities, better alignment with hiring managers and senior leaders, and leveraging technology to improve performance.

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Measuring talent acquisition performance.

Talent acquisition professionals increasingly are measuring their effectiveness by the longer-term performance of the candidates that they bring into their organizations.

“There’s an evolution here. It’s not just about the number of people the talent acquisition person recruits, but it’s about the retention of hires. And, in the more sophisticated organizations, the performance of new hires after a period of time is a key metric,” said Richard Shea, managing director, Korn Ferry Professional Search, EMEA.

With unemployment at low levels, retention of new hires is becoming more difficult. Ninety percent of executives say that retention of new hires is an issue in their organization, in a survey conducted by Korn Ferry. The majority of respondents reported that between 10% to 25% of new hires at their companies leave within the first 6 months. This is an issue because turnover is costly and disruptive. The cost of replacing a manager within 6-12 months of their hire is 2.3 times the person’s annual salary, according to Korn Ferry Advisory research. For a senior executive position, the replacement cost could amount to \$1 million or more.

In some organizations, members of the talent acquisition team receive bonuses based on the performance of candidates they brought into the organization—particularly for sales positions and other jobs where performance can be easily quantified. While this is not a common practice, it very likely may become more popular as organizations seek to incentivize the recruitment of high performers.

The sophistication level of the talent acquisition function varies globally and within various sectors, Korn Ferry Advisory talent experts note. Generally, Asian organizations are more transactional than North America and Europe. Within sectors, finance and technology organizations tend to be more strategic in their recruitment than organizations in the manufacturing or retail sector.

With many positions difficult to fill and with gaps in the leadership pipeline, it’s not surprising that time-to-hire and retention were rated as the two most important metrics that talent acquisition professionals use to measure their performance. Getting candidates hired quickly and who also remain with the organization for several years is a key factor in driving organizational performance. And given the complexity of the economic environment and the changing nature of work, time-to-hire and retention are likely to become even more important in the years to come.

Key findings.

- While time-to-hire is the top priority metric talent acquisition professionals use in evaluating their performance, it is closely followed by the longer term considerations of retention and performance over 6, 12, and 18 months.
- Quality of hire and competition for talent are the two most significant issues that keep talent acquisition professionals up at night.
- Talent acquisition professionals report that the lack of candidates capable of moving up the leadership pipeline is the number one factor in the shortage of talent and this resonates across all regions.

What are the top three most important metrics that you measure today?

1. Time-to-hire.
2. Retention.
3. Performance after 6, 12, 18 months.
4. Cost per hire.
5. Hiring manager satisfaction.
6. Diversity of candidates.
7. Source of hire.
8. Offer to acceptance ratio.
9. Interview to offer ratio.
10. Other



Although diversity of candidates ranked outside the top five metrics overall, in some sectors, such as technology and financial services, diversity of candidates by gender, race, and age has become more important. Increasingly, these organizations view diversity as a core value and as a stimulant to organizational creativity. Companies with people from diverse backgrounds can generate significant business advantages, including enhanced creativity, greater sophistication globally, and an ability to identify better with diverse customers.

Cost per hire ranked as the fourth most important metric, which is consistent with talent acquisition professionals focusing more on the long-term metrics of retention and performance, and moving away from a transactional to a more value-added approach.

Quality and competition.

The two top concerns of talent acquisition professionals are the quality of their hires and the competition for talent.

Non-stop advances in technology and rapidly changing business strategies have led to the creation of jobs that didn't even exist a few years ago, as well as demands for new skill sets in existing jobs and professions. In addition, steady economic growth in most developed nations and rapid growth in developing nations has fueled job growth, contributing further to an ever-tighter market for talented people particularly in various areas of technology.

"This is a dramatic example, but I think it exemplifies the issues many organizations face. I work with a company that was in the automotive parts business, but has divested itself of all parts of that business to focus exclusively on driverless car technology. Their existing employees do not fit with the new strategy. They don't have an employer brand at all in technology and they have to compete with the likes of Google for talent. It's quite a challenge," said George Vollmer, vice president, global accounts & strategic development, Korn Ferry RPO.

Heightening the competition for talent are online tools which make it very easy to identify talent from around the world for specific positions. A talent acquisition professional can simply type a job title and a company and immediately find the names, professional backgrounds, and contact information of potential candidates. With everybody having access to the same information, recruiters must find new ways to compete for talent.

Rank in order of importance the talent acquisition issues that keep you up at night

- **30%** Competition for talent
- **30%** Quality of hire
- **14%** Alignment with the business strategy
- **8%** Capability and capacity of recruitment teams
- **6%** Recruitment tools and technology
- **4%** Diversity
- **3%** Lack of reporting, visibility, transparency of recruitment function
- **3%** Recruitment costs
- **2%** Flexibility and scalability of recruitment team

One approach is to adopt more sophisticated planning and execution software tools to assist in the acquisition process. However, as noted in Part 2 of Korn Ferry Institute's Talent Forecast series, less than 50% of talent acquisition professionals are taking advantage of applicant tracking systems, video interviewing, or online assessment tools.

Another strategy is to seek candidates from different industries and backgrounds who possess the core competencies required of the positions to be filled.

"Going to competitors isn't enough anymore. Recruiters need to better understand how skills, knowledge, competencies and behaviors can be leveraged from one industry to another and from one type of job to a very different type of job. For example, I was recently involved in placing someone from a consumer background into a position of director of procurement for a healthcare organization. The candidate's skills were easily adaptable across industries," said Gustavo Parise, managing director, South America, Korn Ferry RPO and Professional Search.

"It's a question of what are the transferable skill sets and knowledge bases. I'm seeing retail banking firms and life sciences companies bring in people with consumer industry backgrounds," said Shea.

As more talent acquisition professionals embrace technological tools to help them innovate and become more strategic, they will become more adept at recognizing key skill sets outside of traditional talent pools and recruiting candidates that will provide unique and valuable contributions to their organizations.

Talent acquisition professionals also need to become effective advocates of their organization's employer brand and must work with colleagues to ensure the brand is disseminated effectively to targeted talent pools via social media and other avenues.



Developing ready-now leaders.

Talent acquisition leaders report that the No. 1 reason they are experiencing a shortfall in talent is a lack of candidates with the skills to become more important leaders within the company in the future. While the severity of the issue varies among regions, organizations and industries, it's clear throughout the business world that most organizations are not producing leaders at a fast enough pace to execute their strategies.

The causes of the leadership gaps are many.

- Underdeveloped leadership development programs.
- Demand for skill sets that are not part of the organization's existing knowledge base—often occasioned by a new strategic direction (for example: legacy industries lacking digital talent).
- Demographic trends that have severely weakened pipelines in certain regions and industries.

In Latin America, for example, rapid economic growth during the last 15 years led many companies to promote young talented people too quickly. "Today we have executives in leadership without the experience to face difficult moments and are not in a position to move to the next level in their organizations," said Parise.

A similar situation exists in Asia, reported Pip Eastman, managing director, ASEAN, Korn Ferry RPO. "Talent in Asia, particularly greater China and India today, expect rapid career progression and development in the sea of opportunities. However, this fast career progression can lead to a deficit in leadership capability."



Tackling the leadership pipeline shortage requires that organizations do a more effective job of leadership assessments, development, and succession planning for specific positions. For example, as part of their responsibilities, organizational executives should consider holding managers and senior leaders responsible for developing their own successors.

For their part, talent acquisition professionals should examine more closely the competencies, experiences, traits, and drivers of candidates to get a better insight into their leadership potential and developmental needs.

“Recruiters can recruit for a specific role, like a chemical engineer. But can they determine if this engineering candidate can become a plant manager in 5 years? Probably not. They should use state-of-the-art assessments to identify the traits and characteristics of success. And once they’ve identified those people, they must have a plan to get them onto a developmental track,” said Vollmer.

In short, talent acquisition professionals need to take a strategic view and think of talent as a business asset that should be developed in a systematic manner to provide a foundation for superior organizational performance.

A previous Korn Ferry global survey of senior executives revealed that organizations are dissatisfied with their leadership development programs. More than half of the senior executives ranked the return on investment for their leadership development programs as “fair,” “poor,” or “very poor.” If they were to start over, business leaders said they would maintain only 52% of their current approach to development.

In traditional leadership development programs, participants typically attend classes or seminars to learn about leadership skills. In most cases, the programs are disconnected from the issues inside the organization and include little follow-up work. A more effective approach is to conceive development as a career-long journey with multiple events and touchpoints that is directly connected to the organization’s issues and strategies.

“Better development of existing employees is key. I think it starts with assessments and identifying people with high potential. Then the people identified as high potentials need to be aligned with the business strategy and given the proper training and experiences to move them to next level,” said Shea.

How talent acquisition can contribute.

The world of talent acquisition is changing. As described in Part 1 of The Talent Forecast, the majority of candidates are less motivated by compensation and more motivated by organizational culture. Many workers have joined the contingent workforce where they perform as independent contractors for a variety of organizations. And with unrelenting pace of technological and business change creating demand for new skills, the war for talent has become more intense.

Little wonder, as Part 1 of The Talent Forecast report highlighted, that talent acquisition professionals say that it’s harder to find candidates today than it was 12 months ago.

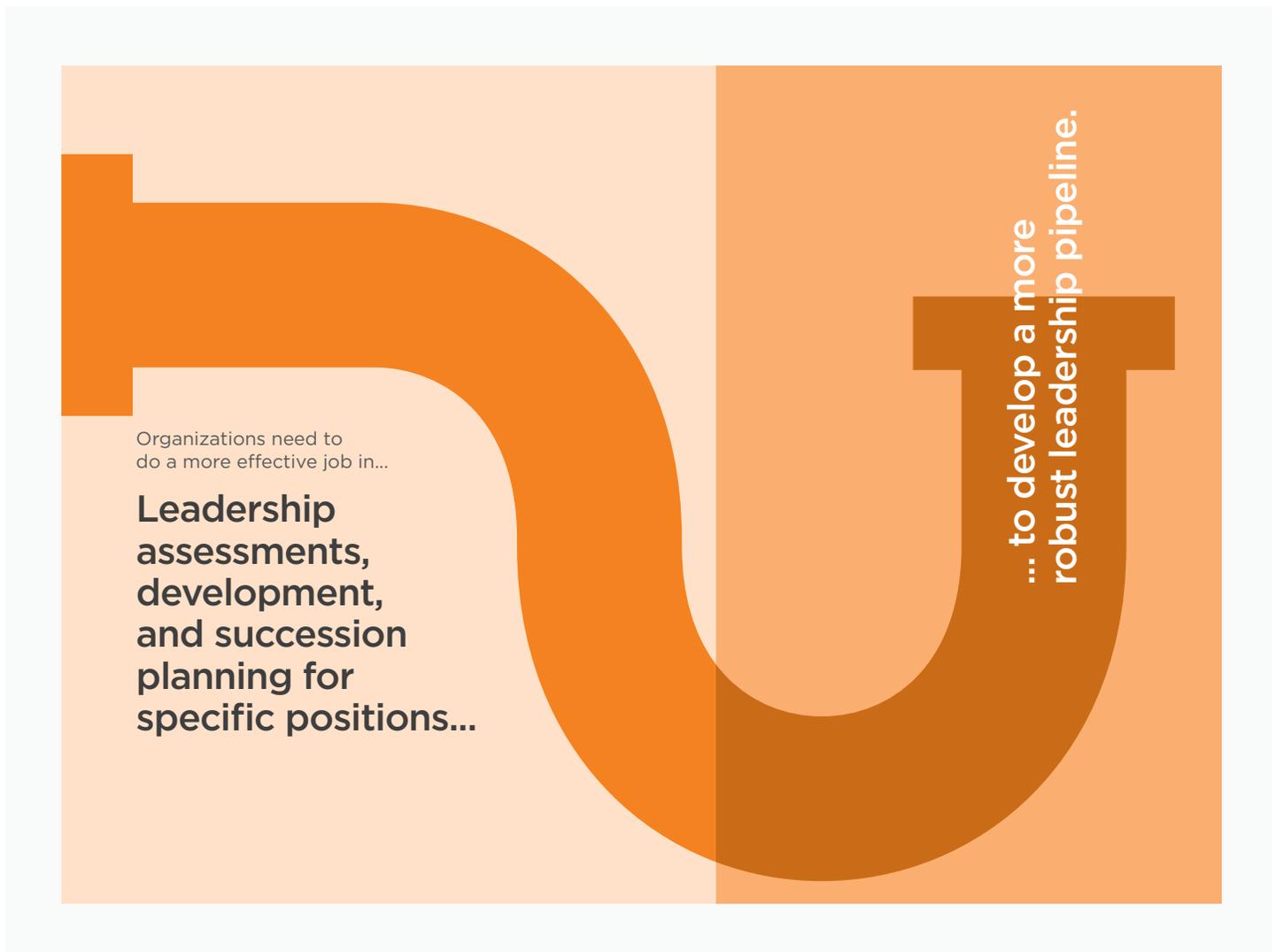
What is the main reason you are seeing talent shortages?

- **30%** Lack of candidates that have the skills to move up the leadership pipeline
- **21%** Sophistication of skills required for our sector/niche roles
- **21%** Competition from other sectors for the same talent
- **8%** Qualified candidates are not accepting offers
- **6%** Brand awareness
- **6%** Evolving of generational mind set (need to adapt to different generations in the workplace)
- **5%** Globalization (candidates won’t move to where the roles are needed)
- **3%** Lack of diverse candidates (e.g. gender, race, sexual orientation, veteran, disability)



To succeed in this changing environment and to deliver greater value to their organizations, talent acquisition professionals should consider the following:

- Develop an in-depth understanding of the business strategy and how it impacts talent needs throughout the organization.
- Endeavor to build better partnerships with hiring managers and senior leaders by providing quality information on the talent marketplace, candidate pools, and competitors. Establish an ongoing dialogue with these leaders to better anticipate and prepare for long-term talent needs.
- Utilize talent acquisition software tools to improve the recruitment and hiring process and to provide data to record talent acquisition performance and success.
- Tap into a wider network of candidates. Focus on cross-over skills from other industries that would bring value to the organization.
- Examine performance of successful hired candidates to assist in assessing new candidates under consideration.



Conclusion

Most organizations have significant talent gaps at all levels of their leadership pipeline. Without confronting this issue head on, organizations will have difficulty achieving their strategic objectives and maximizing performance.

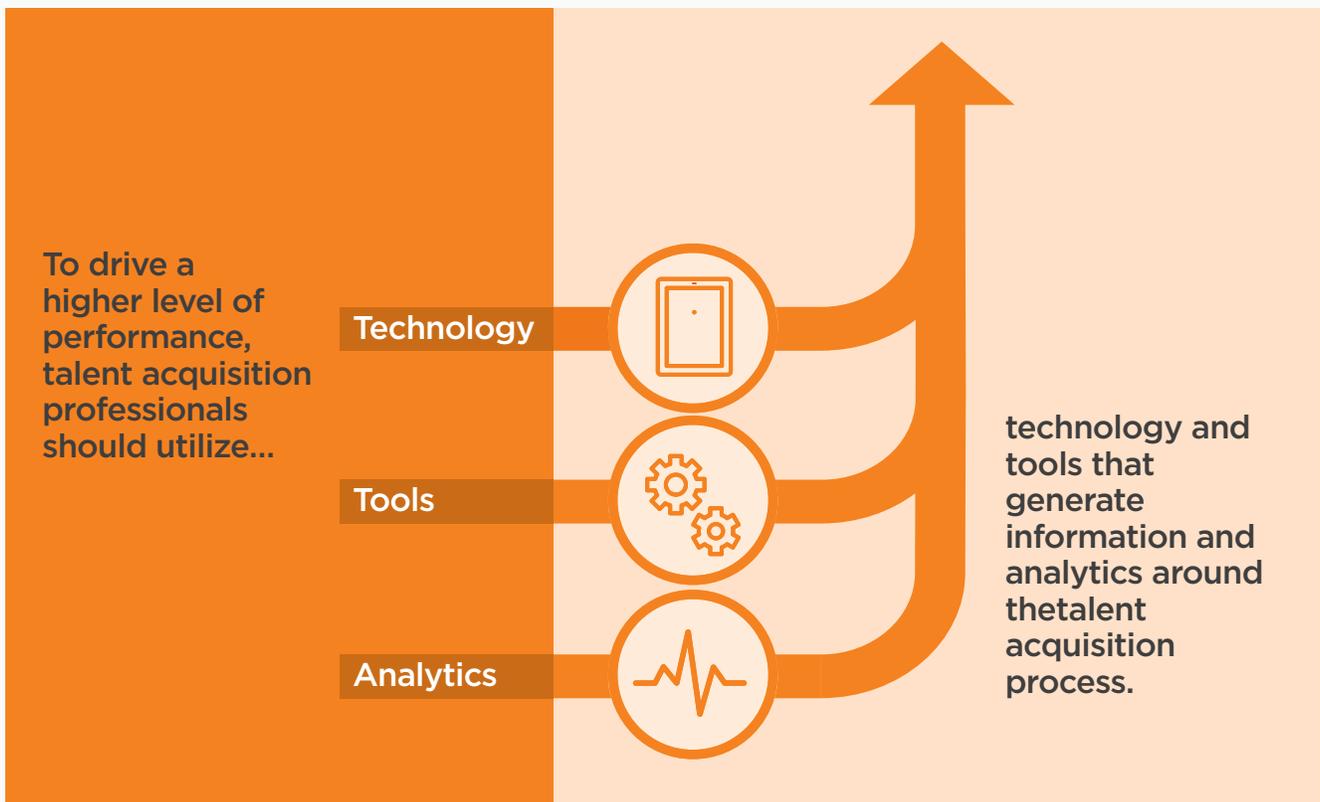
Talent acquisition needs to be part of the talent gap solution. Organizations can no longer afford to view talent acquisition largely as a service function. Senior leaders need to partner with recruiters to target talent pools and address talent needs from a long-term strategic perspective. For their part, talent professionals should utilize technology and tools to provide information and analytics to bring a higher level of performance and professionalism to the talent acquisition process.

Organizations can encourage more effective partnerships between talent acquisition professionals and senior leaders by connecting the performance

metrics of recruiters to the performance of the candidates they hire, by requiring talent acquisition professionals to develop strategic talent acquisition plans, and by stipulating that recruiters utilize technology to better source candidates, provide market information to hiring managers, and track their own performance.

The good news is talent acquisition professionals are on the right track—at least in part. Increasingly, they are focusing on the long-term metrics of retention and candidate performance. On the other hand, they could do a better job of adopting technological tools to increase their effectiveness and to provide more useful data to hiring managers and senior leaders.

Organizations that raise the performance bar for the talent acquisition function will be positioned to acquire the best talent, address their leadership pipeline gaps, and outperform their competitors in the years to come.



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Methodology

From mid-August until the end of September 2016, Korn Ferry ran an online survey to uncover the issues and trends influencing the talent acquisition leader role. The survey was designed for talent acquisition and human resources leaders across all geographies (NA, APAC, EMEA and LATAM) and conducted in the most appropriate language for each market. More than 1100 respondents spanning VP/SVP/EVP, C-suite, director, manager and individual contributor levels completed the survey. Six major markets: technology, industrial, life sciences and pharmaceutical, financial, professional services and consumer were represented.

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About Korn Ferry

Korn Ferry is a global organizational consulting firm. We help clients synchronize strategy and talent to drive superior performance. We work with organizations to design their structures, roles, and responsibilities. We help them hire the right people to bring their strategy to life. And we advise them on how to reward, develop, and motivate their people.