Whitepaper

ROI of Talent Management:
Key Challenges & Value Points

Executive Summary
The implementation of a best-in-class and end-to-end talent management program is a primary concern for many leading organizations. It has been well documented that organizations that have a strong commitment to talent development and employee engagement consistently out-perform those that do not. Over an 11 year time frame, companies that had a performance management culture grew net income by 756%, versus a 1% growth over the same period for those who did not (Harvard Business School Study: Kotter & Haskett); a Corporate Leadership Council report (2004) showed that highly engaged employees achieved performance 20% above average; and an ISR survey (2006) of 664,000 employees determined that:

- high engagement companies improved operating income by 19% while low engagement companies declined by 33%
- in high engagement companies net income rose by 13% whereas in companies with low engagement it fell by 4%
- high engagement companies grew EPS by 28% while in low engagement companies it fell by 11%

One key to delivering an effective talent management program is a centralized database containing all of the information across all areas including learning management, performance management, compensation, and succession planning. Not only does this help ensure that the organization becomes more competitive overall, it also significantly improves the day-to-day administrative processes, ensuring they are managed as efficiently as possible. This in turn allows employees and managers to re-focus their time on important business initiatives. Lack of a central, validated database hinders the ability to proactively manage employee performance and progression and ensure that compensation and performance are fairly aligned. This can result in diminished employee engagement and motivation, leading to lost productivity. In addition, it can lead to added costs due to increased turnover rates and issues such as increased litigation due to wrongful termination claims.

Automating and integrating the talent management process provides easy access to a centralized location for all of an organization’s employee data. It also significantly reduces the time required to manage all of the key steps in the process.

Key talent management challenges facing organizations:

- Minimizing the time and costs required to manage all administrative aspects of talent management
- Optimizing employee and manager time on reviews, goal setting, compensation, and succession planning
- Increasing overall organizational competitiveness by leveraging an engaged, productive workforce

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Key Talent Management Challenges Facing Organizations

In a recent study by the ROI analysts of Hobson & Company, a firm that specializes in discovering the key business benefits driving the adoption of new and emerging technologies, organizations were interviewed to better understand and validate the business benefits achieved in each of these key areas. After this extensive process was completed – three key talent management challenges were common to these organizations:

**Challenge 1:** Minimizing the time and costs required to manage all administrative aspects of talent management.

The number of different aspects involved in talent management made managing the process manually, or across a number of disparate systems, very time consuming. Many of those interviewed noted that it used to take weeks of administrative time just to pull data from different systems and spreadsheets whenever a calibration session or succession planning meeting occurred. In addition, manual processes around performance management, learning management, compensation management, and recruiting add tremendous overhead to most organizations.

**Challenge 2:** Optimizing employee and manager time on reviews, goal setting, compensation, and succession planning.

Beyond the administrative aspects of talent management, the processes often required significant employee and manager time as well. The time required to complete these tasks was time that could otherwise be spent on other business priorities, which resulted in these talent management processes not always being completed or being poor quality. Together, these issues could result in employees not knowing what they were being assessed against or not being properly compensated for their contribution to the organization, both of which were key dissatisfiers.

**Challenge 3:** Increasing overall organizational competitiveness by leveraging an engaged, productive workforce.

“A almost all tasks used to be completed manually. Not only did this take up a significant amount of time, it was also a process that was prone to errors when done manually.”

- Director, HRIS

“On average it used to take our employees one hour to create each of the goals in their annual plan. This adds up across multiple goals per employee and thousands of employees.”

- Director, Human Resources
At the heart of every organization are its people. It has been well documented that organizations who have highly engaged workforces significantly outperform those who don’t. In addition to engaging all employees, it is especially key to retain top talent. Trying to fully deliver on all of the key factors for engaging employees and retaining top talent can be extremely difficult when the talent management processes are handled manually or across a number of disparate systems and files.

From the challenges identified by learning and talent management professionals, we move then to the opportunity value offered by automated talent management.

Return on Investment for Talent Management – Three Key Sources of Values

The value of an automated talent management solution is immediate and significant. Based on interviews with Directors and Managers of Human Resources, Learning, Performance, and Development at a number of U.S. and international organizations, the professionals interviewed agree that the value of automated talent management falls into three main categories:

- Increase Efficiencies: Operational and Technical
- Increase Effectiveness for Employees and Managers
- Improve Organizational Competitiveness

Value Source 1: Increase Efficiencies: Operational and Technical

Improve the productivity of performance management: Today many organizations handle much of the performance evaluation and management process manually – making the process labor and time intensive. This happens at every stage of the process: from collecting and entering employee information manually for every performance evaluation (sometimes from multiple systems) to requiring managers and employees to manually populate all goal information to manually executing final ratings and doing the analysis in spreadsheets.

Automating the performance process enables organizations to automate and optimize their performance processes and align employee development and goals with corporate objectives. The ROI comes from both streamlined, centralized process that takes less time and better aligned workforce that can more effectively execute on organizational objectives.

Reduce IT Systems and Support Related Expenses: As companies grow, they don’t often enough evaluate the redundancies of their systems. They unknowingly create siloed systems and processes that can limit visibility across an organization. The expense in maintaining multiple systems to manage an organization’s talent can be an operational burden and drag on resources.

As IT systems and support scale to meet the needs of all departments it is an organizational benefit to implement a talent management system that is integrated and scalable. A cloud solution may also be the right solution for your organization if you’d like to reduce IT systems and support related expenses. A talent management solution deployed from the cloud shows expedited ROI with rapid deployment and continued innovation, unexpected cost avoidance and improved accessibility and elasticity.

“The paper-based process was very limiting, especially when it came ensuring that every employee had clear goals aligned with the company. This made it very hard for employees to feel engaged about what they were accountable to deliver, which impacted the organization’s overall performance”
- Director, HR Services
**Value Source 2: Increase Effectiveness of Employees and Managers**

Improve overall employee productivity: Manually tracking employee data to ensure they have executed against their goals, completed a performance review, and have an accurate rating can be very time consuming for a manager, not to mention for HR. Yet without this information organizations can’t identify or compensate top talent any differently from bottom performers. They don’t know which employees to invest in in order to help the organization thrive and grow.

Automating and standardizing these processes across an organization ensures that every employee has a current rating that is objective and accurate. Employees know where they stand and can take measures to improve their own performance. Organizations can quickly see the ROI of being able to rapidly identify employees that they want to invest in.

Reduce time spent creating and aligning goals: Rarely are all of an organization’s employees working 100% on the functions that move a business strategy forward. It’s challenging to create workloads and workflows that are fully aligned with an organization’s business objectives. But if your employees don’t understand the organization’s goals or their own goals, how do they know if they are moving in the right direction and how can they be accountable?

Automating goal management allows you to identify the organization’s core goals and cascade those to every employee in the organization. From boardroom to breakroom, goal alignment gets everyone moving in the same direction. The consistency gained from establishing standards and then monitoring the goals throughout the year maximizes ROI and keeps the entire company on track and accountable.

**Value Source 3: Improve Organizational Competitiveness**

Reduce time spent writing performance reviews: Manually creating performance reviews can be ineffective and time consuming for both the employee and manager. Compiling feedback that spans the entire year is a challenge even for those that document periodically and ensuring consistency across employees and departments becomes almost impossible.

Employees, managers and HR all win when each can access a centralized, automated system to collaborate to complete their respective sections of the performance review. Organizations will immediately appreciate the ROI of using an automated step-by-step process, where each group can immediately identify progress and work in partnership to create an evaluation that is meaningful for the employee and valuable to the organization.

Align succession planning by automating, standardizing, centralizing and optimizing global talent processes: In many organizations, succession planning is impeded because there is no consistent or systematic process for aligning the current and future talent needs with the existing talent inventory. Global organizations may want to promote cross-business unit transfers to retain their high performers, but many do not yet have a single HR system of record to identify and enable transfer opportunities consistently and effectively.
Organizations can reap numerous benefits from formalizing and automating succession planning to improve visibility into current workforce strengths and weaknesses. ROI is demonstrated as the company has a strategic plan and competitive advantage were open positions are filled quickly using automated succession planning processes with detailed competency data.

**Complete, End-to-End Human Capital Management Solution**

Increasing labor costs and management complexity are driving organizations to have improved visibility in managing their global workforces. In addition, organizations have realized that in order to enable visibility and drive workforce efficacy, their talent management processes need to be more efficiently integrated to broader Human Capital Management (HCM) processes.

SumTotal offers greater business intelligence with an end-to-end Cloud HCM solution that encompasses:

**Talent Management:** SumTotal Talent Management includes full employee lifecycle management around all talent management processes, including a core system of record, on a single cloud software platform for improved business intelligence. SumTotal offers an end-to-end solution including learning, performance, compensation, succession, career development, 360 degree feedback, recruiting and hiring, social collaboration, and HR Management.

**Workforce Management:** SumTotal Workforce Management is a rules-based platform delivering fully integrated solutions for all aspects of workforce management. Going beyond traditional workforce management systems, SumTotal’s Workforce Management solutions can significantly improve the efficiency of your business, enhancing performance and increasing profitability. SumTotal offers an end-to-end solution including Scheduling & Optimization, Contingent Labor, Time and Attendance, Absence Management and Mobile Workforce Management.

**Expense Management:** SumTotal Expense Management provides the most complete and configurable full-service solution for expense management and automation. Going beyond just travel and entertainment, this solution can process all employee business expenses.

**Payroll & Benefits:** As an integrated service into the SumTotal’s Strategic Human Capital Management solution, SumTotal Payroll and Benefits Administration solutions provide an efficient, flexible and easy-to-use service well suited for complex environments.

**Strategic Workforce Analytics:** Provides comprehensive insight across the full spectrum of the strategic cloud human capital management platform enabling executives, managers and employees to make better informed decisions.

Customers choose SumTotal for the advanced vision in strategic human resources and deep understanding of complex business challenges. SumTotal’s Cloud technologies, end-to-end workforce processes and facilitation of business insight across an organization offers a superior user experience with best-in-class capabilities. With the deepest multinational domain expertise, including highly successful deployments to over 50 percent of the Fortune 500, SumTotal has the strongest experience and best practices for complex global human capital management deployments.
Summary

As mentioned, the value of an automated talent management solution is immediate and significant. For a sample organization interviewed for this study, the three year investment generated a positive return in just 7.3 months, and the three year return on investment (ROI) is very strong at 531%.

The value of the operational efficiency gains and improved employee and manager effectiveness alone (i.e. ignoring gains from improved organizational competitiveness) are also very strong, generating a positive return in 11.0 months and an ROI of 319%.

Organizations can realize significant efficiency gains and cost savings by moving from a manual, paper-based succession process to one that is fully technology enabled and integrated. The shift to a single HR platform facilitates extending succession planning deeper into the organization, since a well-architected solution seamlessly links succession to career development and learning. A complete HR platform improves senior management’s global visibility into the talent pipeline and bench strength, and promoting talent mobility to retain high performers becomes a viable engagement strategy. Talent management, done correctly, is all about process and supporting technology integration. Without integration, talent management siloes remain and opportunity value is lost.
More Information
For additional information, send an email to connect@sumtotalsystems.com

About SumTotal
SumTotal Systems, Inc. is the global leader in strategic Human Capital Management (HCM) solutions that provide organizations with a new level of visibility to help make more informed business decisions and accelerate growth. Recognized by industry analysts as the most complete solution, SumTotal provides full employee lifecycle management, including a core system of record, from a single provider for improved business intelligence. The company offers customers of all sizes and industries the most flexibility and choice with multiple purchase, configuration, and deployment options. We have increased the performance of the world’s largest organizations including Sony Electronics (NYSE: SNE), AstraZeneca (NYSE: AZN [ADR]; London: AZN), Amway (KUL:AMWAY), Seagate (NYSE: STX), Dell (NASDAQ:DELL), and Google (NASDAQ:GOOG).

For more information, or to request a demo, please call +1 (866) 768-6825 (US / Canada), +1 (352) 264-2800 (international) or visit www.sumtotalsystems.com