



The Talent Management **IMPERATIVE**

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Today, retailers must work harder than ever to strike a balance between reducing store operating budgets and meeting increased expectations for a customer-centric shopping experience. This means aligning talent with constantly changing operational goals, beginning with the recruitment process and extending through job assignment, performance management, compensation planning and succession management. It also means ensuring that employees possess the skills, attributes and behaviors needed to maximize their job performance.

Retailers that implement new talent management solutions or optimize existing talent management technology to accomplish these objectives experience 17% lower voluntary turnover rates than those without talent management solutions and see 41% lower turnover rates among high performers, according to a study by Bersin & Associates. In fact, deploying nimble, feature-rich talent management systems is a key strategy for merchants that have not yet followed such a route, and optimizing these solutions is a critical move for those that already have some form of talent management application in place.

A recent report by Gartner backs this point up: “With labor being the second-largest operational cost (after merchandise), retailers can achieve great benefits over a longer period through applications that support end-to-end (talent management) processes.”

Merchants that have not implemented enterprise talent management systems need to seize an opportunity that is within their grasp and understand the risks they take if they opt out. Those with talent management systems in place should also understand there are considerable benefits to be achieved through optimizing use of the technology. Retailers in either category need to be able to select talent management solutions that are configurable enough to adapt to rapidly changing conditions.

Comparison of Key Capabilities with and without Talent Management Technology	
Capability	Increased Likelihood with Talent Management
Plan for Future Talent Needs	144%
Retain High Performers	109%
Respond to Current Economic Conditions	92%
Hire Best Employees	87%

Source: Bersin & Associates

DRAMATIC GAINS USING TALENT MANAGEMENT SOLUTIONS

An advanced talent management solution lets retailers convert their workforce into a revenue driver instead of a cost center. In other words, an asset that generates sales, profits, repeat customer visits and competitive advantage.

Gains achieved by this approach include hard-dollar benefits that can be dramatic. In The Talent Acquisition Landscape, an AMR Research report, the authors note that talent management technology yielded “significant positive results,” including reduced cost per hire (40%) and a shorter hiring cycle (50%), for every company they assessed. “The value is there,” the authors assert, “and has been proven.”

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According to the Bersin & Associates study, organizations that initially deploy or optimize existing talent management technology see 26% higher median revenue per employee than those that do not. These companies are also 28% less likely to have had a major layoff in 2009. They are 109% more capable of retaining high performers, 87% more capable of “hiring the best people,” 92% better at “responding to current economic conditions” and 144% better at “planning for future talent needs.”

With talent management solutions, retailers achieve a closer match between the skills and attributes of potential and existing employees, and the business objectives they have set. For example, using flexible, feature-rich talent management solutions, merchants can determine if an applicant is better suited for a merchandising position or one that requires more sales ability. They can also see whether applicants for sales associate positions possess enough “people skills” to offer the type of service that cultivates fierce customer loyalty and, consequently, increased sales and productivity.

Savvy retailers of all sizes already understand the critical role played by proper talent alignment within their organizations, particularly in the current recessionary



climate. As part of a custom research study, RIS News asked merchants to list strategic actions they had taken in response to economic pressures. At the top of the list at 73.2% was “Alignment of the workforce and business objectives” and in second place at 63.4% was “increase productivity/create a high-performance culture.”

In an economic downturn, the applicant pool expands. While this allows retailers to be more selective in their hiring practices, it also presents additional challenges. The higher the number of candidates, the greater time it takes to sift through the applications and identify the best match for each available position.

Complicating matters even further, tough economic times send into the market two new breeds of employment candidates: strong “alumni” performers whose previous jobs have been eliminated by organizational change, and professionals who have never before worked in a retail capacity, but are now willing to do so because they cannot find employment within their field of expertise.

Narrowing the field of candidates using talent management technology saves managers time and frees them up to handle other store areas that impact customer service. This is a proven technique to increase same-store sales and store level performance. Instead of spending excessive time on the hiring process, managers can concentrate on front-of-store activities, such as ensuring that shoppers receive the assistance they require and that promotions are correctly displayed. Less time can be spent on deciding among candidates and more time can be devoted to leveraging staff strengths.

Talent management tools, unlike manual methods, also rapidly and accurately compare desired behaviors, attitudes and skills with candidate attributes. One retailer has

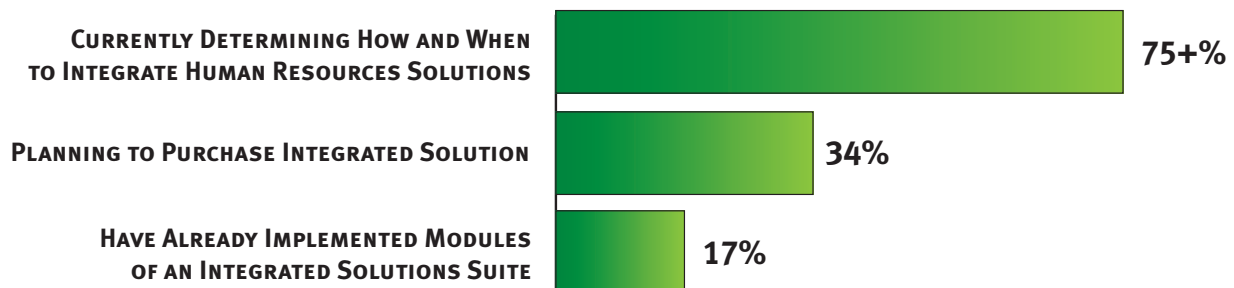
One merchant noted a 37% increase in productivity when employees were offered rewards based on performance tracked by an automated talent management system.

significantly streamlined its candidate and assessment process with a talent management solution that suggests specific hires based on user-defined rules, such as specifying that candidates possess a specific number of years of experience. The system also recommends which screening and assessment methodologies should be applied to selecting from among candidates, including background checks, drug screenings and tax credit eligibility.

Talent management solutions also enable comparisons of far more attributes than manual methods, increasing the potential for a positive outcome. More qualified “alumni” candidates can be sourced and evaluated before all others, shortening time to productivity. Tapping into the “alumni” pool is a cost-effective alternative to using job boards and advertisements, which are an added advantage and a desirable benefit in recessionary times. Two specialty retailers, for example, have used this method to reduce turnover because using automated screening permits them to do a better job of selecting the right candidates the first time around.

Another benefit of using talent management solutions is the ability to track employee performance and establish an incentive plan based on results. These incentives need not be

Talent Management Solutions Implementation Strategies



SOURCE: *Talent Management Solutions 2010*, BERSIN & ASSOCIATES



tied to a monetary bonus or salary. Rather, they can include such “perks” as more flexible scheduling, which is considered a valuable benefit to many employees today. One large specialty retailer uses its talent management system to engage, develop and reward top performers, obtaining real-time information on how well staff members are meeting performance goals and ensuring consistency of awards.

Employees who are compensated with incentives for better performance become even more productive. One merchant noted a 37% increase in productivity when employees were offered rewards based on performance that is tracked by an automated talent management system.

MAKING THE SUITE CONNECTION

Whether they are considering talent management solutions for the first time or are a legacy user of point solutions, retailers cannot benefit fully from talent management applications without implementing a highly inter-connected platform of end-to-end applications. In *High-Impact Talent Management: Trends, Best Practices and Industry Solutions*, Bersin & Associates notes that organizations employing integrated talent management solutions fare best at creating “a high-performance culture, a deep understanding of critical talent needs and future shortages, and a clear view of the best sources for new talent.” Entities with “integrated talent management suites achieve a 60% higher return than those organizations” with non-integrated applications, the study says.

In talent management technology, the whole is more than the sum of its parts. Streamlining management, data gathering, analysis and reporting in all areas of the employee “life cycle” enables companies to more easily align their workforce with business objectives and achieve sustainable results. Immediate access to a central repository of information permits retailers to make better decisions with greater speed, and to more easily predict and respond to market opportunities and challenges alike.

In the 2009 *RIS Retail Trends Study*, implementation of integrated solution suites was deemed the number-one software deployment philosophy, with 52% of respondents choosing it over proprietary software or a best-of-breed approach.

More than 75% of organizations surveyed by Bersin & Associates for its *Talent Management Systems 2010* study indicated they are presently defining how and when they will integrate current human resources solutions. Nearly 17% of organizations with talent management software have implemented one or more modules from an integrated suite, and 34% indicate they intend to purchase an integrated solution.

RISKS AND BENEFITS

Poor shopping experiences and erosions of customer loyalty occur when retailers do not have the ability to put on store floors personnel with appropriate skills, behaviors and attributes that fit their job responsibilities. This comes at a time when economic conditions are forcing consumers to move downstream on the retail price scale and explore new shopping venues. Many individuals are shifting their buying habits and loyalties. In the Ninth Annual Shopping Behavior Study conducted by Cavallino Capital, 23% of consumers reported they are now shopping more at mass merchants than at department stores, and 25% said they visited department stores less frequently in 2008 than in 2007.

While consumers in all tiers may be attracted by bargains, their first impression of any new retailer has a great deal to do with the quality of customer service they receive. Encountering employees with the proper skill sets turns first-time shoppers into repeat customers who are loyal to a retailer’s brand. When asked how stores can generate customer loyalty, “hiring helpful people” was cited by 60% of consumers participating in the Cavallino Capital study.

Four Risks of Non-Adoption

1. Poor shopping experiences and erosions of customer loyalty occur when stores are not staffed with personnel whose skills, behaviors and attributes best fit their job responsibilities.
2. Failing to satisfy shoppers through weak talent management capabilities gives dissatisfied customers the justification to shift their loyalties and gives competitors the opportunity to seize market share.
3. Retailers that cannot successfully ensure that store staffs have strong interpersonal skills and product/merchandising knowledge cannot deliver high levels of customer service and repeat business.
4. Since many new hires are also shoppers, retailers need talent management tools that extend the brand image through the application experience. Otherwise, retailers’ hard-won integrity can be damaged.



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Not surprisingly, many aggressive retailers have recognized that a low-price or discount approach can be an effective way to attract new customers in the short term. However, it takes high-quality customer engagements by employees to keep those customers for the long term. Despite the appeal of saving money, consumers will not continue to shop at stores whose employees do not have the interpersonal skills and product/merchandising knowledge needed to provide the level of customer service that commands repeat business.

Job applicants, too, can be considered “customers,” and the absence of talent management tools can lead to an inconvenient and even difficult application experience. Talent management technology streamlines the job application and hiring process, and facilitates regular communication between candidates and retailers. This allows retailers to safeguard the integrity of their brand, and to become “employers of choice” in the eyes of candidates and consumers in general.

Poor productivity, resulting from misalignment of employee skills with sales peaks and valleys, can also be expected when retailers do not continue to invest in talent

management solutions. In its Workforce Scheduling: Managerial Strategies study, Aberdeen Research found that best-in-class organizations are 31% more likely than all others to perceive a proper alignment of employee talent and goals as a means to improve customer satisfaction with their products. Many retail case studies back up this point. In an evaluation by AMR Research, one retailer was discovered to have increased sales significantly after assigning more skilled employees to work in its stores to wait on customers when demand for assistance with complex products was highest.

High turnover is yet another risk. A disparity between employee skill sets and job requirements increases the potential for a fast resignation or termination for poor performance. When new hires resign or are terminated within 90 days following the hire date the retailer cannot recover the investment made in recruitment and training, and it places enormous stress on the retail organization.

One solution to this problem is to link automated recruiting solutions with videos that offer candidates realistic job “previews.” Candidates can quickly get a feel for job requirements and the retailer’s culture, and opt out of the application process if they cannot see themselves meeting those requirements or fitting into the culture.

As part of its talent management system application, one fitness chain features three different “job preview” videos on its Web site: one for prospective managers, one for prospective sales staff members and one for prospective fitness employees. Each video includes commentary from current employees, who describe their experiences in working for the company. The end-result is a more suitable, qualified pool of applicants in each category. As this

Strategies for Cultivating Customer Loyalty: Consumer Perspective



SOURCE: Ninth Annual Shopping Behavior Study, CAVALLINO CAPITAL, JANUARY 2009



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chain has discovered, linking video capability with a talent management suite is one way organizations that already use talent management technology can optimize these solutions.

A CLEAR VALUE PROPOSITION

Talent management solutions offer retailers a clear value proposition. One company reported a 120% ROI on the candidate appraisal component of its talent management application suite. These returns come from a reduction in turnover costs through recruitment of high-quality candidates who are better suited for particular positions and elimination of those with less potential for longevity and success on the job.

Deploying one or two modules of the selected talent management system at a time in a phased roll out delivers

immediate gains merchants can use to drive future deployments. Modules for the initial phase must be based on clearly identified priorities. Also, clear benchmarks need to be established and metrics set up for monitoring. Neglecting to assess the ongoing effectiveness of a talent management deployment impedes the ability to learn over time and improve. Also, it threatens to undermine corporate willingness to deploy additional modules in the future.

SUMMARY AND CONCLUSION

Retailers can no longer afford to think of the workforce purely as its largest controllable expense. Rather, they need to regard it as an asset that drives sales, profits, return customer visits, and competitive advantage while also functioning as the front line for customer engagements and achieving high customer satisfaction.

On the one hand, failing to deploy talent management applications opens doors that aggressive competitors can use to win customers and seize market share. But deploying talent management applications in an inter-connected suite helps merchants achieve the proper alignment of talent to business objectives, increased productivity, streamlined hiring, and optimal compensation management, all of which are needed to succeed today and in 2010 when the economy rebounds. ■

ABOUT TALEO

Leading retail organizations worldwide use Taleo on-demand talent management solutions to assess, acquire, develop, and align their workforce for improved business performance. Taleo combines software, best practices and services so organizations can increase process efficiency, improve quality of hire, reduce risk, and return financial results. For more information, visit www.taleo.com.

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