

TALEO RESEARCH WHITE PAPER

The Value of Unified Recruiting + Performance Management

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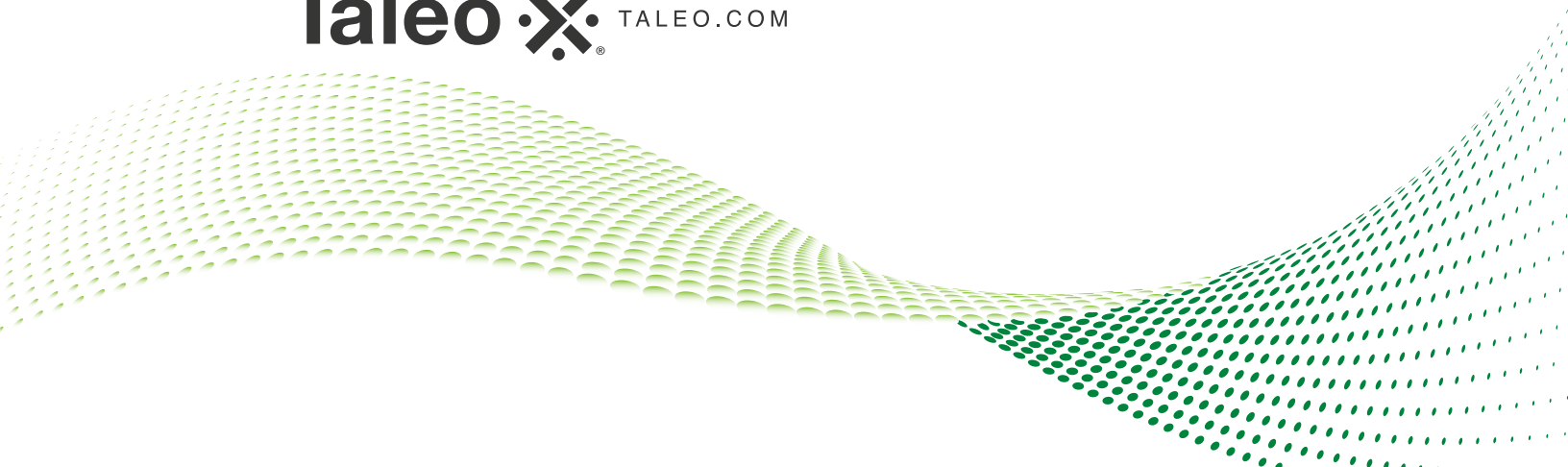


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Now the opportunity exists to take the recruiting process to an even higher level by connecting it to an overall organizational talent management strategy through integration with performance management processes.

Executive Summary

Today, most organizations are under extreme pressure to find, hire, and retain top performers. In this highly competitive environment, successful recruiting requires efficient and effective processes. Consequently, leading organizations have optimized their talent acquisition processes and implemented powerful technology solutions with Talent Intelligence that support overall workforce and business goals. Returns on investment for these talent acquisition solutions are significant, including faster time to hire and lower cost per hire. Improved quality of hire is also being realized in organizations that have embraced a rigorous recruiting methodology, often including verified assessments of potential talent.

Recruiting, however, has typically been viewed as a key—yet distinct—HR activity, responsible only for identifying and acquiring talent for the organization. Although it is the most upstream component in the overall talent management spectrum, recruiting has been accomplished separately from the talent management processes that occur once a new hire is in place.

Now the opportunity exists to take the recruiting process to an even higher level by connecting to an overall organizational talent management strategy through integration with performance management processes. Instead of a hand-off once a requisition is filled, strategic recruiting can derive significant benefits from unification with performance reviews, goal setting, succession, and career planning. Value can be realized especially in the areas of proactive sourcing, improved candidate evaluation, and quality of hire.

Performance management practices also profit. Better selection based on best fit history results in a higher caliber person in the job. A more robust talent profile provides knowledge about the employee that makes performance management more insightful.

This paper explores the value delivered through unified recruiting and performance management. Single data entry and data integration certainly add cost-saving efficiency, but the benefits of establishing a single talent system of record are even more holistically substantial for business performance.

Unifying the recruiting platform with succession planning, goals management, performance reviews, and career planning provide many valuable advantages to recruiting, organizational development, performance, and succession planning professionals.

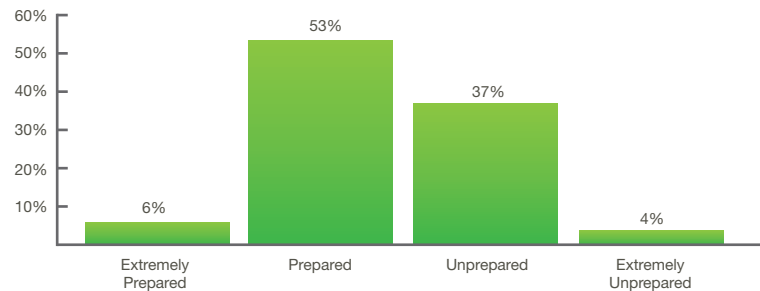
Recruiting + Succession Planning

Recruiters labor tirelessly to keep up with their organization's ongoing talent needs, but are usually not focused on the sources of demand driving the flow of their requisitions. While many positions are opened as a result of ongoing business expansion, nearly half are created due to internal promotions, transfers, and staff turnover. In fact, according to Watson Wyatt and others, best practice companies have a higher percentage of internal transfers than do those who hire mostly from outside.¹

¹ *Maximizing the Return on Your Human Capital Investment: 2005 Watson Wyatt Human Capital Index* Watson Wyatt.

Unfortunately, many companies do not have a formal succession planning process and are unprepared when it comes to the loss of a top performer.

HR PROFESSIONAL'S ESTIMATES OF READINESS FOR SUDDEN SUCCESSION



Source: Society for Human Resource Management, 2006

For companies with a robust succession planning process, the positions that are linked to succession plans can provide a wealth of useful information and a quick win for the recruiters and hiring managers tasked with filling them.

By focusing on succession planning as one of the key pillars to a successful talent management strategy, the organization can ensure a steady talent pipeline for executive, management, and other key roles within the organization. By identifying key competencies and experiences, needed future leaders can be cultivated and nurtured.

Subordinate team members can be ranked as to their suitability and preparedness to assume next level positions. At best, a succession planning process also considers other individuals within the organization with the requisite abilities along with external candidates, as is common for many executive level openings.

For recruiters, access to succession planning information not only speeds up time to hire since the candidate has essentially already been vetted, but also improves quality of hire given that internal hires often outperform external hires on the job.

When linked with recruiting, succession planning becomes a form of proactive sourcing, identifying, and evaluating potential candidates far in advance of actual need.

When a formal requisition is created, recruiters can have immediate access to a short list of internal candidates to be qualified and external prospects to be contacted. In both cases, the position profile and associated competencies provide the recruiter with a framework for screening and evaluating candidates that is based on well established success criteria.

Recruiting provides succession planning with access to external candidates as well as access to pre-hire job history and skills, portraying a more complete picture of the potential candidate.

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Recruiting + Goals Management

Performance management begins with goals. Goals define the results that people aim to achieve; they are the touchstones for performance planning, appraisal, and rewards. The clear link between goals and performance assessment is apparent. Less obvious is the connection between goals and recruiting. However, the connection is powerful. Recruiters who understand the goals of the company can use this information to bring the right talent into the organization.

New employee profile information—coming from the recruiting process—can identify the best fit players for goal assignment.

The availability of performance data on existing top performers within a given department or role provides recruiters with a success template for modeling the background and experience of external candidates.

This closed loop between employee performance and external sourcing may ultimately yield the greatest long term benefit to an organization's talent acquisition strategy.

With access and visibility to the top goals of the organization, recruiters can distinguish which specific skills and capabilities contribute most to goal attainment. Workloads can be prioritized to concentrate on critical hire openings.

For example, if a company is striving to achieve leapfrog market dominance by bringing innovative products to market, the recruiters could prioritize product development and strategy positions before other open requisitions. Competencies such as technical expertise, out of the box thinking, and a track record of proven success may be sought after as key traits for ideal candidates.

Since the real power of goals is their alignment with the highest purposes of the organization, a tight connection with recruiting provides benefits by providing a platform for bringing in the right talent to support company goals.

Recruiters can attract talent based on a clear understanding of the strategic goals of the organization. Goal information helps sell the position to potential candidates as it maps how this role contributes to the overall success of the organization.

Symbiotically, the manager also benefits since information can move bi-directionally between recruiting and goals management. New employee profile information—coming from the recruiting process—can identify the best fit players for goal assignment. An assessment profile that shows leadership, language capabilities, and a desire to go abroad, for instance, might match the organizational goal of opening a new office in an overseas location.

Recruiting + Performance Reviews

It is often true that recruiters know more about their external candidates than their own employees, but this does not have to be the case. By taking advantage of their company's performance management data, recruiters can not only have a more detailed picture of their internal candidates, but also gain valuable insights they can use to improve their sourcing of external prospects.

Performance management is a process of ongoing employee evaluation and development. Employee performance is regularly assessed by their manager and peers via a formalized review process. The review process is designed to provide critical feedback on the employee's work performance, attainment of assigned objectives, as well as their mastery of core competencies and skills associated with their position. The review process seeks to foster communication between the employee and manager about performance and serve as the basis for future development with both formal and informal learning. With access to performance information, recruiters gain a much richer picture of their internal candidates. Not only will they be able to evaluate them based upon career interests and resume, but also the observed record of their actual performance at the firm as well as objective assessment of their core skills and abilities.

This enhanced information also pays large dividends when applied to an external sourcing strategy. The availability of performance data on existing top performers within a given department or role provides recruiters with a success template for modeling the background and experience of external candidates.

Recruiters can start their search based upon knowledge of proven performers and a clear understanding of the actual skills and competencies that have been shown as relevant to the job at hand. This closed loop between employee performance and external sourcing may ultimately yield the greatest long term benefit to an organization's talent acquisition strategy.

Quality of Hire

The “holy grail” of integrated recruiting and performance management is obtaining true quality of hire measurements. Today, most quality of hire processes rely on simple hiring manager surveys that usually investigate satisfaction with the service level provided by the staffing department. Although clearly an important aspect of meeting customers’ expectations, high or low satisfaction with the service delivered by the staffing department should not be the indicator of the high or low quality of a new hire.

True quality of hire measurement comes from on the job results. This is captured in the form of quarterly, biannual, or annual performance reviews. These performance indicators can be used to gauge whether the staffing process reliably attracts and selects quality employees. In addition, since performance reviews are often tightly associated with compensation, staffing can use salary increases and bonuses as metrics to gauge the quality of the employee and then indirectly, the effectiveness of the staffing process.

Tightly integrated systems that close the loop between performance data and the recruiting process enable staffing to better recognize a best fit performer and then optimize the process to hire more of “those” people.

Sixty percent of respondents to a recent survey indicated that they considered it important to formally measure employee performance evaluations against the candidate assessment process, yet only 33 percent were satisfied with their ability to do it.

—Screening & Assessment:
Best Practices, Global Learning
Resources Inc., 2001

Evaluation of performance data such as reviews and competencies over time can be instrumental in helping recruiting organizations zero in on those predictive qualities and competencies that affect quality of hire. Unlike traditional attempts which focused on subjective manager surveys, performance driven approaches to quality assessment are based upon actual performance data and standardized, objective evaluation.

Many companies perceive the importance of quality of hire measurements and realize this can only be accomplished through the unification of recruiting and performance.

Recruiting is not the only beneficiary of tight integration between staffing and performance. Managers benefit too. As recruiters recognize and hire best fit performers, managers work improves because they have better fit employees in the positions. In addition, a more robust talent profile that includes attributes captured during the recruiting discovery process can be instrumental in better development plans and increased retention.

These concepts are evident in many situations. For example, a product manager joined Taleo Corporation in 2004 to work in a regional office. She quickly moved into management due to great technical and people skills. However, her MBA also made her an excellent candidate for a 12 month special assignment on strategic mergers and acquisitions. Taleo had captured her credentials and preferences during the interview process. In addition to the right skill set, this employee’s expressed desire to move to California was noted in her profile. By having this information, Taleo was able to proactively challenge, engage, and retain a top talent, despite her active recruitment by competing firms.

Recruiting + Career Planning

In the past, career planning has been mostly self-directed and reactionary. Most employees, even the top performers, do not contemplate career planning until they are dissatisfied with their current job situation. In many cases, the employee’s wants and desires are a black box to the employer.

If the organization has some level of performance management automation, employee past performance may be researched. However, most systems go no further. This is a real missing link, especially with the onset of recruiting the Millennials, who seek a career experience that meshes with their soft goals such as work/life balance and intrinsic importance.

Career planning unified with recruiting provides employees with a modeling ground for career assessment and an enhanced view into other opportunities within the organization. Capturing skills and experience as part of their talent profile enables examination of qualifications and readiness for different career options.

This visibility builds a ready internal talent pool of self-identified candidates interested in various opportunities and growth paths.

From the recruiting perspective, recruiters can more easily tap into these internal candidates because they have access to not only their skills and past performance, but also their wants and desires. They do not have to wait for them to respond to internal job postings.

Additionally, aggregate career pathing data can also be analyzed and communicated to candidates to show them the careers and opportunities linked to positions. This can further differentiate and market the company’s job opportunity versus a competitor.

Conversely, recruiting enhances career planning by increasing visibility to jobs via career postings as well as active solicitation by recruiters for open positions.

Career Planners Make Good Candidates and Employees

Only 41 percent of adults report that they started in their career through a conscious plan. Many more (69%) say if they were starting over, they would try to get more information about the job and career options open to them.²

But today, it is not just about finding a particular job—although millions of people change jobs each year—but also about making continual career choices in response to dynamically changing work environments.

Increasingly, work is no longer defined by titles, but rather by skills and networks. Effective career builders take an active role in shaping and grooming their careers, project by project.

“People who make informed and considered career decisions make committed and engaged workers. They have greater ownership of their work roles, persist in the face of adversity, take initiative, and invest in their ongoing professional development. They are better collaborators, more likely to get along with their coworkers and more likely to add value to whatever enterprise in which they engage.”³

—*The Education Social and Economic Value of Informed and Considered Career Decisions* by Scott Gillie

This visibility builds a ready internal talent pool of self-identified candidates interested in various opportunities and growth paths.

² *Career Connecting in a Changing Context: A Summary of Key Findings* (1999). National Career Development Association, June 2000

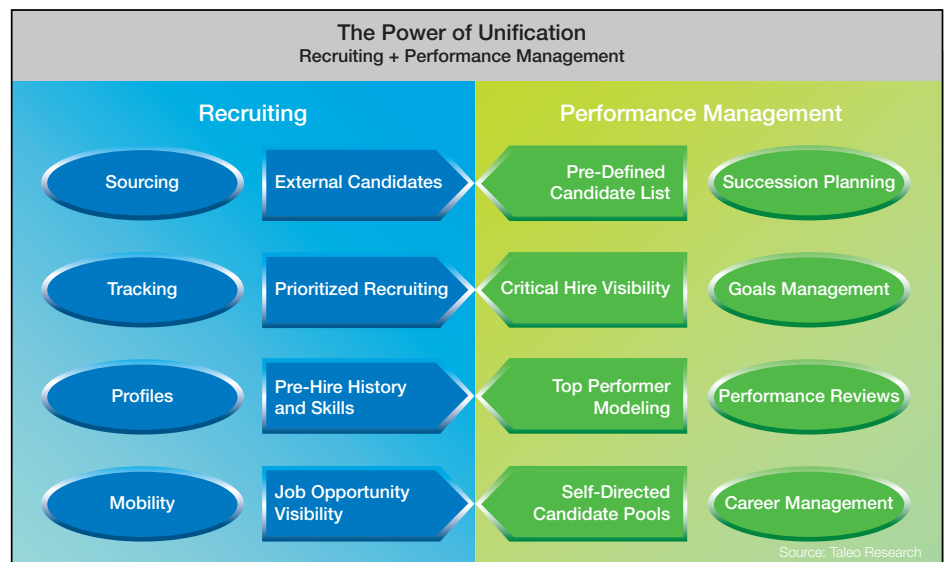
³ America's Career Resource Network Association, Fall 2003

The Overall Benefits of Performance + Recruiting

Although there are many components of a full talent management suite, the implementation of all the components is generally not simultaneous, nor even truly available today. Therefore it is worthwhile to consider the order of and priority for establishing a holistic talent management strategy.

Recruiting and performance management are the key applications and backbone processes of talent management. Recruiting is the system that manages the selection of external talent and movement of internal talent throughout an organization. Performance is the system that measures, develops, and optimizes talent throughout an organization. Secondary processes and solutions that work with performance include goals and succession which are critical to accomplishing business objectives along with compensation and learning which are more related to motivation and retention.

Recruiting stands to gain tremendously from the information available via the performance management process. Successful implementation or attainment of this type of performance-powered recruiting is greatly benefited by technology that works to unify the two business processes. The benefits to recruiting exist at all levels of the performance process.



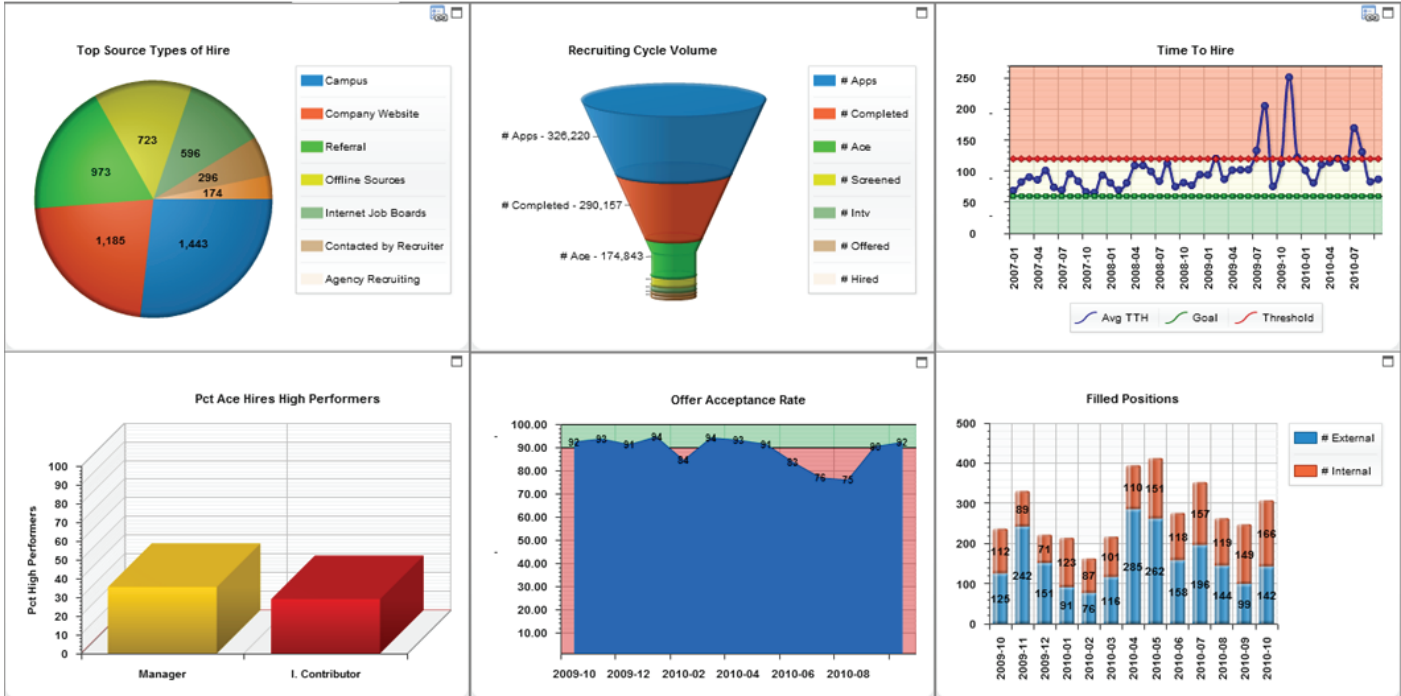
Benefits include:

- > Faster candidate identification.
- > Improved employer branding.
- > Improved quality of hire evaluation.
- > Access to external succession candidates.
- > Increased job visibility for employees.
- > External candidate search and screening.
- > Better use of internal talent.
- > Comprehensive talent profiles.

Effective recruiting fundamentally improves the quality of the new talent coming into the organization. Acquiring top performers as new hires is ultimately more cost effective than subsequently having to invest in training and development of poor hires. To paraphrase *Good to Great* author Jim Collins: the right people must be on the bus at the start to be successful.

The Importance of the Talent Profile

To realize the value from unifying recruiting and performance processes, the key foundational data should reside in the position and talent profiles, which capture information on both positions and available talent. This profile information becomes the demand and supply engine that fuels the entire talent management process. It provides the backbone to the talent management strategy both today and five years forward.



As the diagram shows, talent comes from the internal people network (employees and contractors) as well as outside candidates. Both the hiring and performance processes capture Talent DNA: the behaviors, experiences, job performance, skills, and interests. This becomes the supply information which is then matched with the demand information (company/group/individual goals) to drive the talent component of company success.

This is not a point in time occurrence. It is used today (short term assignments or internal mobility), tomorrow (12-36 months out as part of a succession plan) or for more elaborate workforce planning possibly on a three to five year horizon.

There is great synergy between a tightly linked recruiting and performance process. Recruiting is most effective when it is fully linked into and fueled by the performance management process. Performance management works best if Talent Intelligence information captured in the recruiting process is easily accessible and available for line managers to gain the insight they need to drive better business outcomes.

Without unified recruiting and performance, it is difficult to truly identify talent gaps that need to be filled through training, internal mobility, or hiring external talent. Recruiting organizations should actively look to identify solutions that unify their process, data, and systems to these processes so they can actively contribute to maximizing organizational performance and business results.

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About Taleo

Leading organizations worldwide use Taleo on demand talent management solutions with Talent Intelligence to attract, develop, engage, and retain their workforce for improved performance.

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