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Talent management under threat in uncertain times

As the CIPD launches new research examining talent management in uncertain times, it poses the question, 'How important is talent to organisations when things get tough?'

As we enter spring 2009 there are signs everywhere of the economic downturn gaining momentum. It is impacting both our work and personal lives and is played out and reinforced on a daily basis by unrelenting media coverage of business closures, wide-scale redundancies and the threat of more to come.

Rather than a 'war for talent' there currently seems to be a 'war on talent'. To find out how important organisations consider talent to be when times get tough, we launched new research in February 2009 based on a survey of more than 700 organisations. The survey report, *The War on Talent? Talent management under threat in uncertain times*, explores some of the practical steps that chief executives, HR professionals and all people managers can implement to manage talent in a recession and contribute to the long-term success and sustainability of organisations as the economy recovers.

While definitions of talent management vary according to the needs of organisations, for the purposes of this survey we highlighted the CIPD's working definition, that is, 'the systematic attraction, identification, development, engagement, retention and deployment of those individuals with high potential who are of particular value to an organisation'.

The impact of the downturn: two different experiences

Just over a quarter (26%) of respondents report their organisations have been forced to change their approach to talent management as a result of the economic climate. The results show some significant differences across the sectors, with private service sector organisations (32%) especially likely to be affected.

The findings clearly show two different experiences – those whose approach has been affected by the downturn (for better or worse) and those who feel their strategies have remained the same regardless. Interestingly, respondents from both groups believe that talent management has become more important.

A change of direction

For those organisations whose talent management strategies have been affected, this has resulted in both positive and negative practices. Positively, for some, the current economic circumstances have further prioritised the need for effective talent management processes. Organisations also seem to be focusing their efforts on the retention of high-performers and reviewing systems to ensure their effectiveness to maximise return on investment.

On the downside, many are experiencing cuts to learning and development budgets, some are initiating recruitment freezes and others are frustrated because

talent management programmes have either been put on hold or cancelled altogether.

Business as usual

Those organisations whose talent strategies remain unaffected give a number of reasons for this, including the fact that talent management remains a priority regardless of the economic situation, becoming in some cases even more important and a way of investing in the future. Other industries and sectors such as specialist healthcare, pharmaceuticals, defence and security are as yet unaffected by the downturn and some are even experiencing growth and expansion.

Managers need more support in managing talent

Our findings show that managers need greater support in spotting and developing talent and engaging and motivating employees in a downturn.

As Figure 1 shows, key ways in which organisations are supporting managers in this role are through management and leadership development (33%), extra and dedicated support from HR (26%) and coaching and mentoring (13%).

The silver lining: positive practices adopted

However, overall organisations appear to be adopting a number of positive practices in response to the downturn (Figure 2).

Figure 1: Organisational support for managing talent



Figure 2: Practices adopted in response to downturn



Recruitment of talent continues for many but different methods are adopted

Organisations are still engaged in recruiting key talent (43%), although over a third (34%) are more likely to do the recruiting in-house and 22% are using new media as a cost-effective approach. However, 23% have initiated a blanket recruitment freeze, particularly those in the manufacturing and production sector (30%).

Greater focus on retention of good performers

There is a greater focus on the retention of existing employees (35%). A quarter of respondents (25%) have had to downsize but have consciously preserved key talent.

Private sector organisations are more likely to recruit talent discarded by competitors

Eleven per cent are actively recruiting talent discarded by competitors.

Surprisingly, those from the private sector are more likely to be recruiting from competitors than those in the public and not-for-profit sectors.

Conclusions

Our research suggests that talent management becomes more, not less, important in the current economic downturn. Unfortunately for some, the downturn has resulted in development cuts and recruitment freezes. We argue that now is not the time to cut development activity or to renege on carefully conceived talent management plans. However, more cost-effective solutions may need to be found and return on investment will come under greater scrutiny.

For others the downturn is providing an opportunity to review current systems for general effectiveness, to think creatively about doing things differently when resources are tight and to prioritise specific aspects of talent management,

such as the retention of high-performers. So, in other words, a number of positive practices have already been adopted as a result of these challenging circumstances. We suggest that these practices are likely to produce a positive return for organisations that maintain their talent management commitments. Below are some practical recommendations for good people performance in uncertain times for chief executives, HR professionals and all people managers, drawn largely from the research suggestions of their peers.

Recommendations

- Make honest and frequent communications about the realities of your business performance and how individual contributions can make a difference.
- Rather than reducing development activity, think of ways of doing more for less – perhaps by taking some development in-house and making greater use of senior managers in the talent management process.
- Focus on the engagement and retention of your current employees – make sure that they have clarity around career paths and work that is meaningful to them.
- Support managers to engage, develop and retain employees, particularly in uncertain times, through leadership development, coaching and mentoring and practical guidance from HR.
- Continually review the cost-effectiveness and impact of your talent management activities.

The survey report *The War on Talent? Talent management under threat in uncertain times* is free to download from www.cipd.co.uk/surveys

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