

TALEO RESEARCH WHITE PAPER

Grow Your Own CEO

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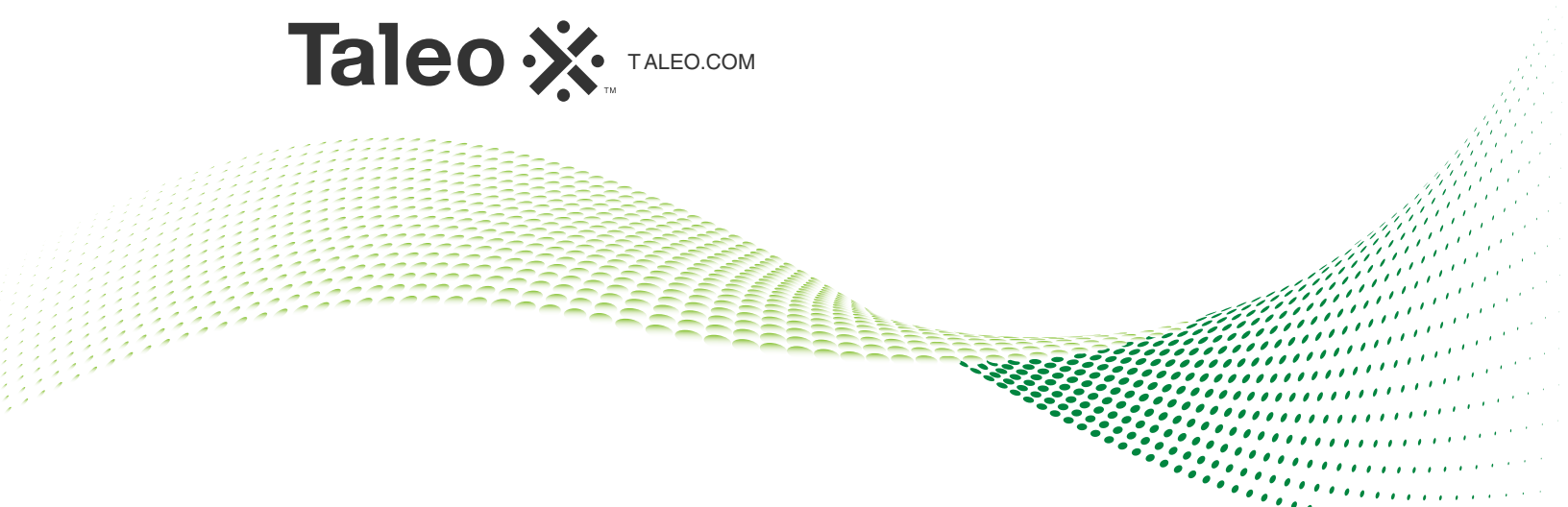


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Improving leadership development has risen in perceived importance over the past two years. As noted, 56 percent of survey respondents cited a critical talent gap for senior management succession. In volatile times, leaders who can convey the company's vision and motivate employees are invaluable. It is generally easier and more effective for homegrown talent to step into leadership roles. Yet companies fill more than half of their executive positions from outside, suggesting that internal leadership development programs, such as corporate "universities," need to be improved.

Source: *Creating People Advantage 2010: How Companies Can Adapt Their HR Practices for Volatile Times*, Boston Consulting Group (BCG) and the World Federation of People Management Associations (WFPMA)

In today's increasingly challenging corporate environment, where technological advantage is likely to be short-lived and product differentiation is increasingly indistinct, the retention and development of top talent is acknowledged by business analysts as a critical source of competitive edge. Indeed, in a global survey conducted by PricewaterhouseCoopers, 97 percent of CEOs identified access to and retention of key talent as their number one source of competitive advantage.¹

While this may be the belief of most senior executives, what is the reality and experience for staff in general? Do workers see efforts being made to develop talent within the business? More crucially, are staff being developed all the way to the top? And if so, how good a job are they doing?

To gain insight, Taleo commissioned research to examine the beliefs and expectations of workers in relation to leadership and career development programs and the actuality of their experience in their own organizations. Respondents were asked to identify how their company sources leaders—homegrown or imported—and to assess how well these leaders perform. Attitudes and preferences in regard to internally developed and externally recruited leaders were also explored to gain perspective on confidence levels in organizational leadership.

Homegrown is Best

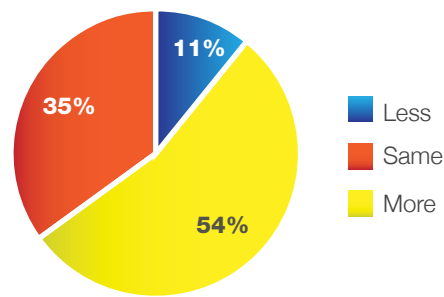
A major finding revealed by the research data is that homegrown leaders are held in greater regard within their organization than talent drafted in from outside: 54 percent of all respondents have more respect for leaders who have worked their way up through the organization, compared to 11 percent who report less respect for this group. This represents a clear 5:1 majority.

The idea that leaders should be recruited from within is further validated when workers were asked how well they rate their current leaders. By a clear majority, 66 percent to 51 percent of respondents whose leaders are recruited from within an organization rated their leaders as 'good' or 'very good' compared to those whose leaders are recruited externally.

It is evident that not only do workers think leaders should be grown internally, but also that leaders drawn from within homegrown cultures perform best. So does the reality match the preference? The answer is no.

Just 38 percent of employees surveyed confirmed that most leaders are promoted from within their organization. This indicates a clear mismatch between what is considered best practice and what most companies are actually doing.

LEVEL OF RESPECT FOR HOMEGROWN LEADERS AS COMPARED TO IMPORTED



Source: *Grow Your Own CEO Study*, Taleo Research

¹ 12th Annual Global CEO Study, PriceWaterhouse Coopers

Brown-Forman manages 90 critical positions that are highly important to business success. They often fill critical positions with employees who have not yet been slated for leadership development, but have unique skills and expertise that affect the potential organizational impact they can have in the critical role. Individuals in critical positions often receive career development and management focused on developing their specific expertise; the focus is clearly on how to be effective in the present role (unlike the general development of HIPOs, where cross-functional exposure or experience is important).

Development Delivers Results

If engaging and developing your own staff is an effective and desirable practice, how should organizations best go about this?

When it comes to worker preferences in relation to the most effective development methods organizations can employ, the findings are clear. Visibility into other job roles and promotion opportunities across the organization was selected by 68 percent.

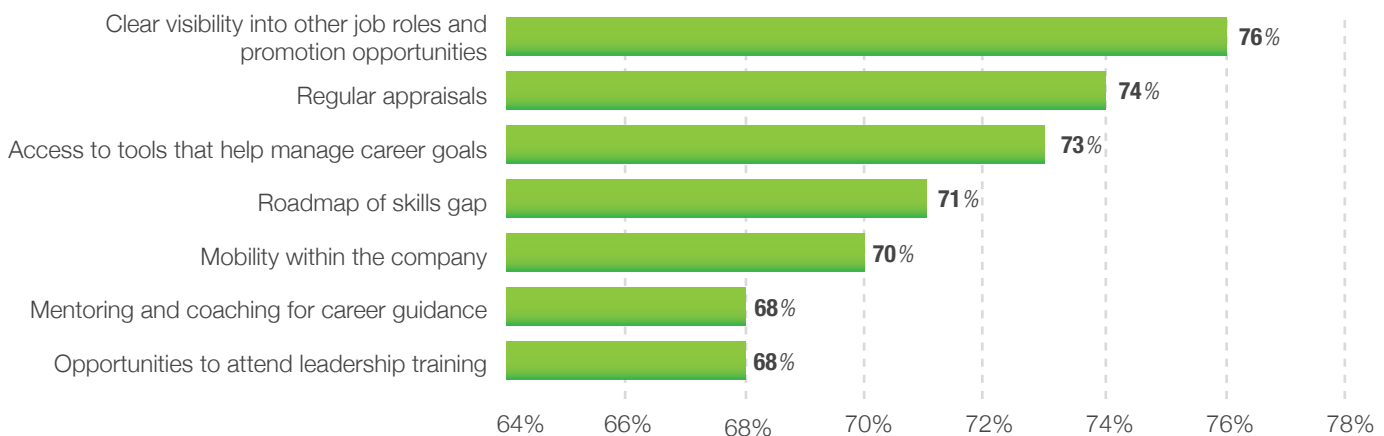
Regular appraisals with line managers and being given access to tools that ‘help me manage career goals’ were also both highly rated by survey respondents. Indeed, when given a suite of career development options, 62 percent selected regular appraisals and 50 percent chose career management tools as development options they would expect to receive.

The top three development options employees expect from their company:

1. Visibility into other job roles and promotion opportunities across the organization.
2. Regular appraisals.
3. Access to tools to help manage career goals.

The survey went further, asking workers to what extent leadership and career development impact their engagement and commitment. In companies offering regular and frequent appraisals 74 percent of staff are more engaged, while in organizations where tools that can help employees manage their careers are in place, 73 percent of staff say they are more engaged. Availability of the entire range of development tools drives more than half of workers to say their levels of engagement go up as a result.

PERCENTAGE OF WORKERS MORE ENGAGED BY THE PRESENCE OF:

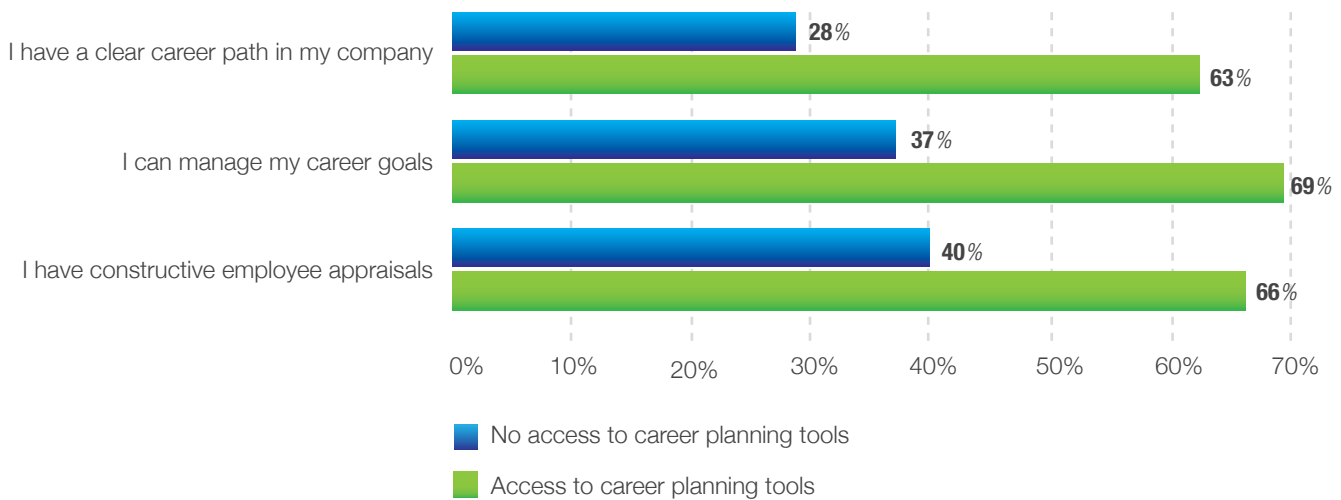


Source: Grow Your Own CEO Study, Taleo Research

Having a high level of internal mobility was rated most highly when speaking about engagement and staying with an organization:

- › It is no surprise that visibility of other opportunities in the business was one of the biggest drivers of employer engagement since internal mobility is recognized as a key driver of talent retention and engagement.
- › Practices that deliver motivation for employees to stay with their company longer, be less likely to look for other job opportunities, or work harder for promotion include internal mobility opportunities, frequent feedback, and tools for career management.

IMPACT OF CAREER PLANNING TOOLS



Source: Engaging Times Study, Taleo Research

Johnson & Johnson uses their Standards of Leadership framework to personalize leadership development for high potentials. They link their succession planning and leadership development so that personal development plans align with the organization’s future leadership needs. Both perspectives are taken into account.

“76% of respondents confirmed that visibility of other job roles and promotion opportunities across the organisation is important to them.”

By giving staff the chance to learn new skills and widen their experience within the organization, companies demonstrate the opportunities available within the business, thereby boosting their ability to keep top talent onboard and develop them into future leaders.

Keys to a Development Strategy

People respond well to development. When it comes to designing an effective development and retention strategy, the survey reveals what components count most for employees.

Unambiguous goals, an understanding of ‘what is expected of me’ and ‘where that will take me’, all have a profound effect upon engagement levels among survey respondents. Having a clear roadmap of what skills are required to reach the next and subsequent levels is also perceived as a key requirement. When in place, 71 percent of respondents are more engaged with an organization.

Information exchanging, which can include the opportunity to sample other parts of the organization, also drives up engagement among over 70 percent of workers.

Development planning is paramount and needs to be a two-way process: the aspirations and specific goals of the worker need to be understood and a plan built to benefit all stakeholders.

Based on conversations with hundreds of chief HR officers worldwide, IBM's 2010 study titled Working Beyond Borders identified three workforce gaps where HR is missing key capabilities:

- > Developing future leaders.
- > Rapidly developing workforce skills and capabilities.
- > Fostering collaboration and knowledge sharing.

“The presence of leadership training within an organization drives up engagement in 67% of workers.”

A major North American retailer has had succession management but only informally and only for the senior level positions for the past 6-7 years. They admit that as their market becomes more competitive, the succession management process is becoming more important. They see their areas for improvement as the collective and regular review of those positions they see as most important and the development of a process that addresses the needs of the organizational ranks, eliminating the need for external hiring.

Benefits: Optimized Leadership Development Program

- > Ensuring a leadership pipeline to support corporate goals.
- > Improved morale and engagement.
- > Faster time to productivity from internal mobility.
- > Increased retention.
- > Improved leadership skills.

In addition to formal course-based training, many of these practices are either very localized—for example, with one's manager—or informal. In fact, only 26 percent of employees expect the opportunity to attend formal leadership training as part of a leadership development program, with most interested in development that is ongoing and broader-based than conventional training courses.

Notably, the survey illustrates that the presence of leadership training within an organization drives up engagement in 67 percent of workers.

Internal Promotion Works

When it comes to talent, homegrown leaders tend to be far more effective in their role and are more highly regarded by co-workers. Furthermore, the utilization of talent identification and development best practice is highly effective in increasing overall worker engagement and commitment.

Homegrown leaders are a superior choice. Conversant with the culture of the organization, they have a ready-made network of critical relationships in place across a broad range of departmental stakeholders. They hit the ground fast, understand both market and operational issues, and are well versed in what enables intradepartmental collaboration. Additionally, their talents and skills—honed in-house—are known and quantifiable.

Internal development and promotion also has a significant advantage in cost savings. The cost of an external executive-level hire can be as much as two to three times salary. Their entry into an organization may be disruptive, and the ramp-up time to productivity can be nearly twice as long. One study calculated the Median Time to Full Productivity for external executives at 26 weeks and internal executives at 16 weeks.²

Benefits: Technology Support for Leadership Development

- > Enhanced corporate careers site and employer brand to attract talent.
- > Better assessment of leadership skills.
- > Visibility across whole organization for leadership talent.
- > Cost savings from recruiting efficiency, internal mobility and self-service.
- > Scalability of the program.
- > Consistent measurement through development and performance management.

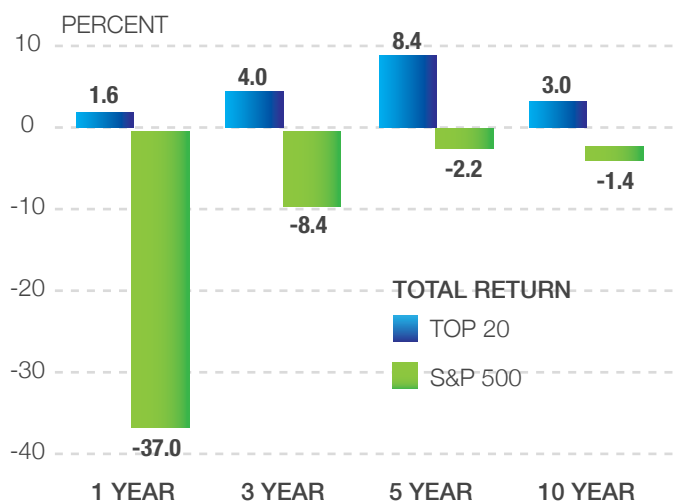
² Mellon Learning Curve Research Study, Mellon Financial Corporation

Recognising the ramifications of a tightening labour market, Westpac Banking Corporation started to investigate what its “Workforce of the Future” needed to be. Retaining talent was a critical tenet. Building on the organisation’s vision to be a great Australasian company, Westpac looked at creating a compelling internal employment market with several fundamental goals:

- > Increasing the flexibility and mobility of its workforce.
- > Increasing retention of key employees.
- > Helping employees understand the opportunities available within Westpac.
- > Empowering employees to own their career development and path.
- > Redeploying employees in redundant positions within Westpac.
- > Understanding the required composition of the future workforce.

Achieving the Greenhouse Effect

LEADERSHIP IS LINKED TO FINANCIAL RESULTS: TOP 20 VS S&P 500



Source: Bloomberg BusinessWeek/Hay Group 2009 Best Companies for Leadership Survey

Leadership correlates with financial performance. That means finding, developing, and retaining effective leaders is not only a talent management priority but also a business imperative.

Leadership development is not confined to succession planning, nor should it be restricted to C-level executives. Today’s flatter, global organizations need leaders throughout the workforce ranks.

However, there are major challenges in finding and developing leaders at all levels. These include identifying qualified candidates to fill current and future leadership roles, and having the tools and techniques to develop a comprehensive leadership program to cultivate and develop the leaders of tomorrow.

Leadership development spans talent management practices. Elements reside in:

- > Recruitment to source leadership talent.
- > Assessments to evaluate leadership capabilities both internally and externally.
- > Performance management to monitor and make course corrections in developing leaders.
- > Internal mobility to provide development and promotion opportunities.
- > Succession planning to avoid future leadership gaps.
- > Career planning to allow employees to understand their leadership options and set development goals.
- > Development to create a roadmap to fill skills gaps.

The successful hot-housing of future leaders depends on an integrated strategy using Talent Intelligence to identify, nurture, develop, and accelerate talent. Alongside enhanced talent retention, in the long term, organizations reap the rewards of high performance leaders who instill confidence in senior co-workers and staff as they advance organizational goals.



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