

The Role of Talent Development in Employee Engagement



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LEADER'S BEACON™
SPECIAL REPORT

Talent development is the ongoing process of fostering the natural strengths and abilities of individual employees with educational and coaching initiatives designed to create a higher performing workforce.

In other words, it's investing in your people and their specific natural skill sets. Like talent management, which often refers to software systems intended to streamline hiring and performance levels, talent development is a core influencer of employee engagement.

Developing the talent of your employees leads to engaged employees. This report will introduce you to statistical data that illustrates how having engaged employee's leads to a more profitable enterprise. Recognizing and supporting an employee's natural strengths and abilities is a proven way to create individuals who are truly willing to go that extra mile for the organization. Here's where that idea so often gets lost.

Talent requires attention in order to grow and develop. You can't manage someone's talent in the same way you can manage labor hours or marketing costs. However, providing coaching support and offering growth opportunities to employees based on their strengths and abilities allows leaders to uncover intrinsic motivations that will support company goals and objectives. Providing talent development opportunities creates employees who are invested in their jobs and even passionate about their work. This means they are more creative, more efficient and more valuable. In turn, these benefits are leveraged appropriately; the organization can increase customer satisfaction and loyalty, generate more innovative

products and solutions, market more effectively and generate higher profits and reduced costs in almost all areas of the business.

The Power of Talent Development

In 2004 ISR, an international research organization, released a worldwide study of employee engagement based on research done in the 10 largest world economies. The study cited retention of talented individuals and the offering of opportunities for personal and professional growth as the most commonly noted items for companies that are successful at creating engaged employees. Neither of these factors can be bought even in the most elegant talent management software on the market.

Why?

People are naturally growth-oriented and self-evolving beings. Having a manager that truly values his or her employees and appreciates what they have to offer is essential. It's the difference between a manager that simply goes through the motions and conducts an annual assessment and one that understands the natural talents, strengths and abilities of his or her employees. One can be done on a piece of paper or a software package. The other requires genuine interest and commitment to the employee's growth and development.

Offering talent development opportunities to support employee growth and development improves your chances of increasing the number of engaged employees. These employees don't have to be dragged along because they are inspired to move on their own. Imagine dragging a team chained to your waist as opposed to a team who is eager to run by your side in a marathon. That's the power of talent development. You inspire a team that is eager and motivated to invest in the race for the long run.

In this report, you will discover how essential employee engagement is to profitability of a company. In addition, you'll view evidence that talent development is the key factor to creating lasting employee engagement. Talent development can include things like mentor relationships, horizontal job opportunities, motivational work, one-on-one coaching and specific skills coaching.

Of course, the key to effective talent development lies in more than just developing skills. The key to talent development success is to align the individual's skills and abilities with their functional responsibilities and overall personal career goals and then provide planning and support to ensure the development of the necessary elements to meet those goals. Most talent management systems seek to create an alignment with the employee's goals with the corporate goals but don't take into account the need to invest in the employee's development related to their capabili-

ties over the long term. Creating a path through talent development programs for new leaders to emerge is the missing link.

Does Talent Development Increase Employee Engagement?

Employee engagement can be defined as the degree to which an individual is motivated by and aligned with the company vision to voluntarily go beyond the basic job requirements. In other words, is an employee willing to spend his or her discretionary time on the job, the business or the project? Finding ways to make this happen in your business can be downright tricky. Studies show that about:

- » 41% of employees are enrolled (capable, but not committed to doing their best)
- » 30% are disenchanted (doing the absolute minimum)
- » 21% of employees are truly engaged
- » 8% are completely disengaged

Of all these, your biggest concern may be the 41% who are not even unhappy enough to look for other work, but content to ride the wave. So how do you develop employees who aren't willing to give it their all? The studies cited show that conditions like

leadership, culture and career and professional development are what lead to employee engagement. Offering talent development opportunities can turn an enrolled employee into an engaged one.

Consider this. The ISR study noted above identified 4 core aspects that contribute to employee engagement. These are:

- » Career Development
- » Leadership
- » Empowerment and
- » Image

Clearly, the leadership of a company will directly relate to the talent development opportunities. Image refers to that of the company and how the employee buys into that vision. Finally, career development and empowerment are closely aligned aspects of talent development that lead to engagement. Take a look at just how closely the engagement of employees is tied into financial performance of the company.

Aberdeen Group released a June 2007 survey of 600 respondents. They evaluated the top 20% of “best of class” performers based on those companies who showed profitability growth of 10% or more in the last year and the majority (94%) of whom increased or maintained employee retention rates in

that same year. A major finding of that study is that, while most of the participants attempted to tie employee performance to company results, those in the best of class category also provided opportunities for career growth, insights to career possibilities and the needed tools for development.

Is Employee Engagement a Critical Factor to Profitability?

The question is whether or not it is worth investing in talent development to create engaged employees. Does it truly impact profitability? Two reports in the Towers Perrin Global Workforce Study are worth mentioning. In the first, Towers Perrin-ISR (July 2008) conducted a study of 50 international companies in which concluded that those companies with proven employee engagement, based on specified criteria, showed significantly better results in critical financial assessors. Specifically, it found in the 12 month study that companies with high employee engagement showed an average of

- » 19% increase in operating income and
- » 28% in earnings per share

While those companies with low employee engagement experienced, on average

- » 32% drop in operating income and an
- » 11% decline in overall earnings per share

A secondary longterm study by the same organization, conducted over a 3 year time frame with 40 global companies, found similar results. This one cited a spread of over 5% in operating margins and more than 3% in net profits between companies with highly engaged versus low or non-engaged employees.

To be truly engaged an individual needs to intellectually agree with the company vision, they need to have an emotional feel for the goals of the organization, and they need to be motivated to go above and beyond the basic job duties. There are 10 basic components that have been shown to drive employee engagement, and a majority of these need to be honed through talent development. According to Towers Perrin those 10 drivers are:

1. Senior management sincerely interested in employee well-being
2. Improved my skills and capabilities over the last year
3. Organization's reputation for social responsibility
4. Input into decision making in my department
5. Organization quickly resolves customer concerns
6. Set high personal standards

7. Have excellent career advancement opportunities
8. Enjoy challenging work assignments that broaden skills
9. Good relationship with supervisor
10. Organization encourages innovative thinking

Data, as referenced in the above research, prove that there is a direct link from these 10 factors to employee engagement, turnover intention, and the impact on customer satisfaction and focus. Of course, customer focus and satisfaction have a huge impact on financial measures like company revenue growth, the cost of goods sold and general expenses that impact operating margins. Also, consider that employee opinion has an impact on customer opinion in many cases. Even in job positions where an employee has little or no direct contact with customers, engaged behavior is shown to positively impact cost factors of the business due to lower turnover and higher productivity.

The effect on turnover rates and productivity is partially because engaged employees are much more likely to believe in their ability to impact the business. This usually means higher job satisfaction, and this leads to better retention and performance. Plus, in a company that actively fosters talent development, a dissatisfied or disengaged worker will have other

avenues open to pursue work that can eliminate the need to look outside the company for other opportunities. These criteria lead to better overall profitability as noted above.

Some good news is that employees really do want to be actively engaged. In one survey 84% of workers said they enjoy challenging work assignments that broaden their skills and 83% seek opportunities to develop new knowledge/skills. This is a prime talent development opportunity.

The top driver of employee engagement is reported to be top management's willingness and ability to show interest in their workforce. Again, this is where talent development shows up in a big way. Companies that offer opportunities for growth and recognize valuable contributions in a meaningful way create an environment that allows people the space to be creative without fear of stepping on toes of those in charge. As the numbers show, this atmosphere results in better profits for everyone in the company.

Why Should I Invest in Talent Development?

Despite the convincing studies, not everyone is convinced that talent development is worth the time and energy involved. Frankly, instituting a talent management system that tracks and offers assessments might seem a lot simpler. However, this is where companies

encounter a huge engagement gap between actually living up to the expectations they have set out and how the employees and management respond to the resulting reality of daily work life.

Most human resource leaders and CEOs agree that aligning the development of employees with company goals is a good idea. Here's why it is critical for any company that wants to obtain a competitive edge in the coming years. Companies are looking at significant issues surrounding worker shortages, skills shortages and turnover based on the demographic makeup of our population.

According to the US Bureau of Labor statistics, baby boomer retirements will create a shortage of 10 million qualified workers by 2010. Also, Forester Research reports that for the 45% of the working pool that is reaching retirement age it will take 7 years of on the job training, or 2.5 new employees to replace one retiree. Clearly, retaining the best and hiring the best is important. However, once you've got them hired, developing their skills and creating an environment where they are willing to give 100% will be critical for fiscal success.

Where will these new hires come from? American workers show documented deficits in math, reading and technical skills. The America's Promise Alliance also reports that skill bases in decision-making, teamwork and core communications are lacking. Without

a doubt, those companies able to hone these skills in their workforce will have a distinct advantage over those whose employees come up short.

Technical skill sets are also in high demand. In fact, by 2010 it is said that the amount of new technical data will double every 24 hours. How will your employees keep up to speed if the tools and resources for this growth aren't available?

While talent development programs and contribute to these needed skill sets, employee engagement is required to keep the talent employed in the first place. Having programs in place for unmotivated learners does little. You don't want disenchanted or disengaged workers. They are more likely to leave and less likely to contribute their most to the company. Offering growth opportunities that interest and motivate your people can make all the difference.

Here's another reason why a strong talent development program can make all the difference to your company's bottom line and long term viability. Turnover and the willingness of the American employee to switch jobs are both incredibly high.

Turnover costs can average 40% of an employee's salary.

The Labor Department estimates say that the US worker will have 10-14 jobs in the course of an average career.

Internal opportunities for advancement, and even horizontal job changes, can keep your employees challenged and with the company rather than looking to outside sources for job choices. In fact, in many situations where a person wants a change, a horizontal job option can keep them engaged while retaining a huge base of tacit knowledge in the company, and eliminating turnover costs.

National turnover in 2008 was at 3.4% just one year ago. Yet, in certain segments of the job market it is much higher, even between 15 and 20%. The cost to your business in hiring, training and morale is incredibly high. Developing your people to offset these costs makes a lot of sense.

Talent Development and Profitability

Talent development is clearly the best way to create lasting employee engagement in a company. Employee engagement is proven to be a critical factor for profitability and a competitive advantage in the current economic climate. In the coming years, the focus on talent development will be a distinguishing factor between those companies that succeed and grow, and those that struggle or disappear.

Resources

The 2003 Towers Perrin Report. *Working Today: Understanding What Drives Employee Engagement* Towers Perrin

Towers Perrin/ISR July 2008. *Employee Engagement Underpins Business Transformation*

Towers Perrin/ISR July 2008. *Employee Engagement Improves the Bottom Line*

Towers Perrin Global Workforce Study 2007-2008 ISR Whitepaper. *Creating competitive advantage from your employees: A global study of employee engagement*

Aberdeen Group, June 2007. *Creating competitive advantage from your employees: A global study of employee engagement*

Plateau. *Talent Management A Competency-based Approach to Developing Smart Strategies and Systems*