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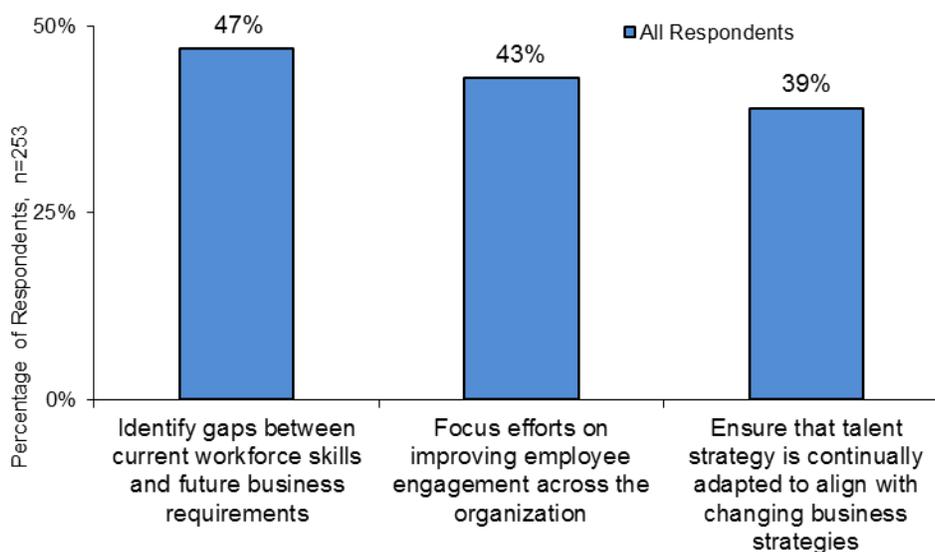
## Take Charge of your Organization's Future with Talent Lifecycle Assessments

The fear of leadership talent shortages has become a reality for today's organizations. Aberdeen's recent study on *Accelerating Leadership Development* found that organizations feel they are only capable of delivering two thirds of the leaders their organizations will require in the next three years. And our 2013 *Learning and Development* study found that the need for leadership talent was the number one driver of learning strategies. In order to overcome this challenge, many organizations look to develop leaders from within, and focus on closing the gaps between current leadership capability and future business requirements. Assessments play a starring role in this endeavor, helping to create the right learning path throughout the talent lifecycle to take today's employee potential and turn it into tomorrow's leadership promise.

### Building for the Future

It is undeniable that finding the right talent to support business goals is the number one priority of Human Capital Management (HCM) leaders. Aberdeen's *HCM Trends 2013* study found that identifying critical skill and leadership gaps — and ultimately coming up with strategies to bridge them — is the top strategic driver (Figure 1).

Figure 1: Top HCM Strategies



Source: Aberdeen Group, January 2013

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### Research Brief

Aberdeen's Research Briefs provide a detailed exploration of a key finding from a primary research study, including key performance indicators, Best-in-Class insight, and vendor insight.

But what can organizations do to close these gaps? It's not a simple answer, and it requires a focus on development throughout the talent lifecycle. Organizations need to hire for both current capability and future potential, they need to find new ways to identify and cultivate high potential talent, and they need tools to constantly monitor development progress as well as progress towards closing leadership gaps. Companies increasingly turn to assessment tools to help them face challenges at all stages of the talent lifecycle. Best-in-Class organizations are 31% more likely than All Other organizations to utilize pre-hire assessments (71% vs. 54%) and 80% more likely to utilize post-hire assessments (54% vs. 30%). How organizations implement their assessment strategy and utilize assessment output helps them differentiate their organizational capability to close leadership gaps.

### **Turning Assessment into Action**

Clearly the use of assessments can help organizations understand where they have capability gaps. But what is really important is how these companies turn that insight into action. One key area where Aberdeen's [2013 Assessment](#) research found that Best-in-Class organizations differentiate themselves is development planning. Best-in-Class organizations are 36% more likely to have a clear process for creating targeted individual development plans based on assessment output (60% vs. 44%). It is critically important to continue the use of assessments through the talent lifecycle, because while many organizations rely heavily upon assessments in the hiring process, to really be effective these tools must also inform an individual's path after they are brought into the organization. Currently, 87% of Best-in-Class organizations also use assessment data as part of their criteria for promotion to leadership roles (vs. 73% of All Others).

Organizations must also consider the various types of assessments that can be used as part of their strategy to close leadership gaps. In 2013, 94% of Best-in-Class organizations indicated the use of behavioral / personality assessments (vs. 65% of All Others), up from 92% in 2011. They are also the most commonly cited assessment type in use by Best-in-Class organizations (Figure 2). One of the reasons these types of assessments are so widely used may be that they give insight into how individuals learn and adapt, as well as the types of environments in which they may be best suited to achieve results.

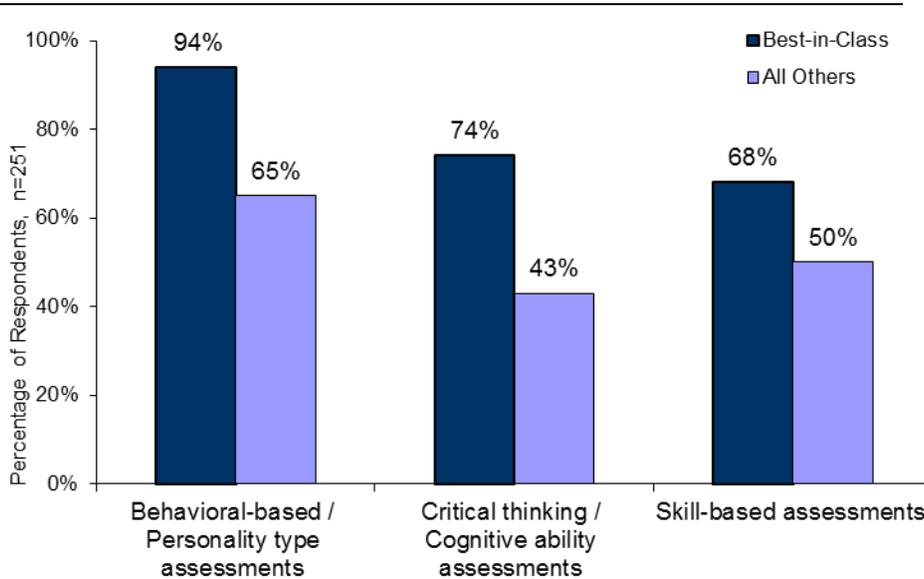
While skills and knowledge can be learned and change over time, an individual's personality generally does not, and the insights from these assessment types can be used again and again throughout the talent lifecycle to guide decisions around teaming, assignments, and helping managers and peers work with an individual to achieve the most positive result. In effect, these assessments can provide a roadmap into how an individual may best learn and develop, which can be more important in the long run than their current skills or knowledge.

#### **Best-in-Class Definition**

In Aberdeen's January 2013 [Human Capital Management Trends](#) study, the following key performance indicators were used to distinguish the Best-in-Class (top 20% of aggregate performers) from the Industry Average (middle 50%) and Laggard (bottom 30%) organizations, with mean performance among the Best-in-Class as follows:

- √ 85% of employees rated themselves as highly engaged
- √ 74% of key positions have at least one ready and willing successor identified
- √ 13% year-over-year improvement in hiring manager satisfaction

**Figure 2: Assessment Types in Use**



Source: Aberdeen Group, March 2013

### Identifying High Potential Talent

Successful organizations know the key to ensuring a steady stream of leadership talent is to provide differentiated opportunities to individuals who demonstrate the greatest potential for future organizational impact. Best-in-Class organizations in the 2013 [Human Capital Management Trends](#) study were more than twice as likely to have a process in place to identify high potential talent as all other organizations (60% vs. 29%).

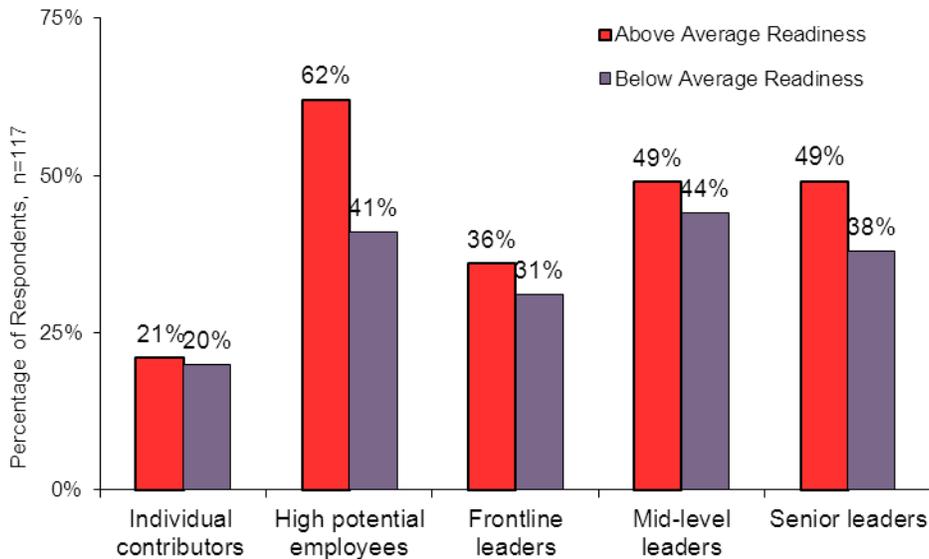
High potential programs are essential to accelerating leadership development, but too often a process for identifying this high potential talent is lacking. Best-in-Class organizations are more likely to use formal tests and assessments to help them identify high potential talent. Top-performing companies take a multifaceted approach to identifying high potentials, which includes critical thinking; skills, scenario-based, and behavioral / personality assessment output; along with customer or client feedback, manager feedback, and peer feedback.

Once high potential talent has been identified, however, there's one critical differentiator that helps organizations ensure that they can deliver the leaders the business will require in the next three to five years ("above average readiness" — see sidebar): dedicating specific programs to the development of these individuals (Figure 3).

#### Definition

Aberdeen defined "above average readiness" as those organizations indicating they are capable of delivering 70% or more of the leaders the business will require in the next three to five years.

**Figure 3: Dedicated Leadership Development Programs**



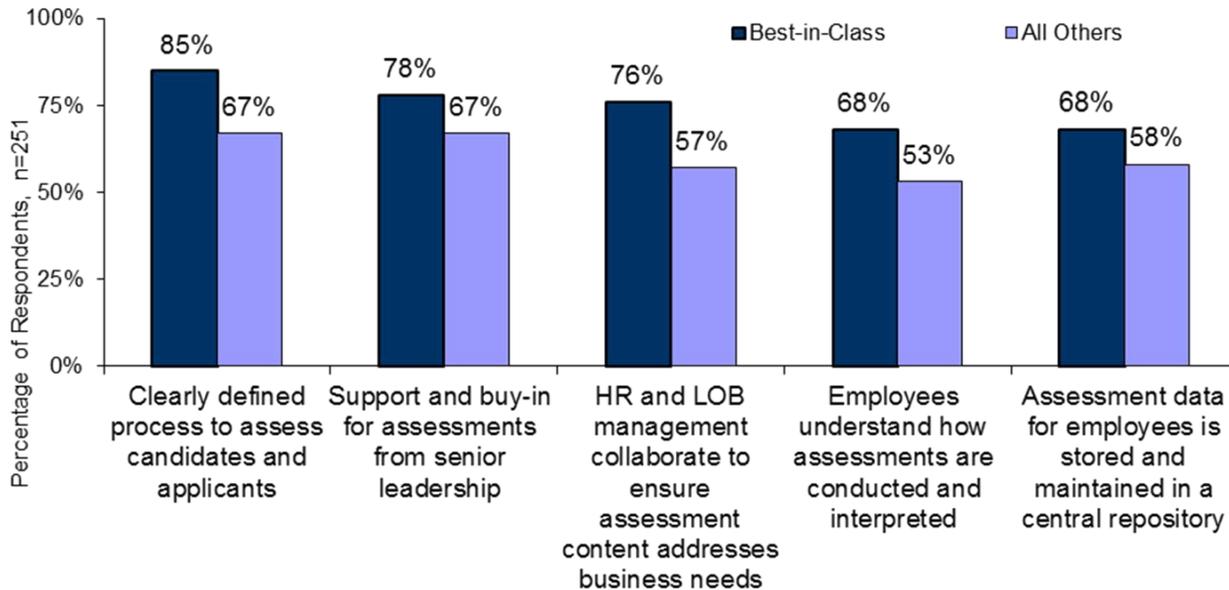
Source: Aberdeen Group, March 2013

Organizations achieving above-average levels of readiness are more likely to have dedicated leadership development programs for all levels of the organization. But, they are 51% (62% vs. 41%) more likely to differentiate their investment in their high potential talent pool. This level of investment has the desired results, given the fact organizations in the above-average readiness group indicate they will build to deliver 83% of the business's required leadership talent in the coming three to five years, as compared to just 40% that will be delivered by organizations with below average readiness. Organizations investing now in developing a future leadership pipeline for the organization will have a clear competitive advantage in the years to come.

### **Supporting Assessment and Development**

Simply using an assessment tool — or multiple assessment tools — and implementing development programs does not guarantee results. In addition to adopting these tools and strategies, organizations require a set of capabilities to be in place to support the achievement of critical business outcomes. Figure 4 (next page) illustrates several critical capabilities that organizations must put in place to support their use of assessments to help them close leadership gaps and improve development throughout the talent lifecycle.

**Figure 4: Capabilities Supporting Assessment Use**



Source: Aberdeen Group, March 2013

Organizations have seen some powerful results by implementing these critical strategies around the use of assessments throughout the talent lifecycle.

- Candidate Assessments Driving Results.** Hiring is the beginning of the talent lifecycle, and making the right decisions here is critical. When organizations have a comprehensive and defined assessment strategy in place it can yield significant results. At one large electronics and appliance retailer, not only was a comprehensive process put in place to assess candidates, its impact was validated through an outcome study. When candidates applied and completed their assessment, the scores were coded red, yellow, and green for recommended not to hire, caution, and recommended to hire. Individuals in the study were from all three bands. By taking the revenue differential between “red” or “yellow” candidates and a “green,” and multiplying that number by the number of red and yellow hires, the company was able to calculate that they could have generated an additional \$179 million per year if they had hired green candidates in place of those red and yellow candidates. Clearly, a defined process can have significant organizational impact.
- Meeting the Needs of the Business.** This is critical because an assessment is only as good as its impact on the organization. Without a clear understanding of what is important to senior leaders and line-of-business (LOB) managers, organizations cannot hope to implement a meaningful assessment strategy. A major hotel

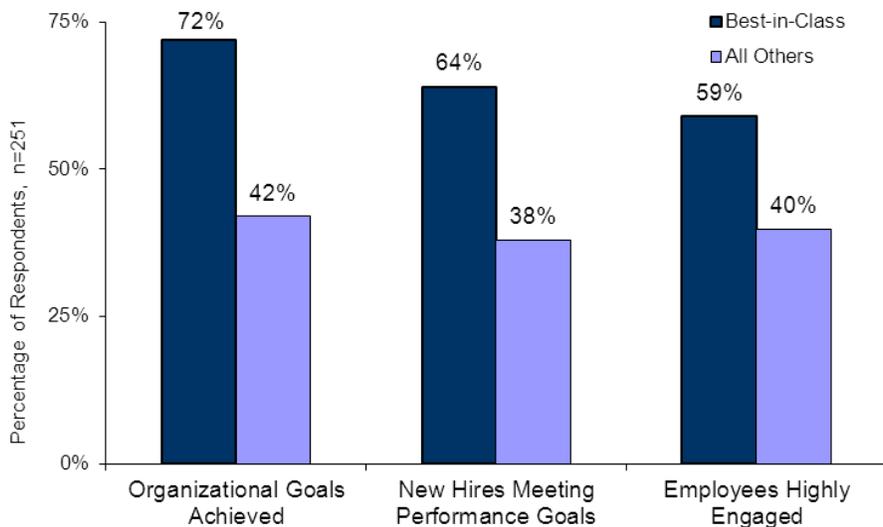
chain knew that its front desk clerks were one of the most critical roles to location performance. By working with the hotel general managers to identify this critical role, they were able to implement an assessment to guide hiring and development decisions that ultimately improved retention. The first year results of the program were impressive. While the entire corporate organization experienced a 3% increase in turnover among all hourly employees, turnover at the front desk decreased by 10%. And among individuals who were hired either without going through the assessment, or who the assessment recommended not to hire, turnover was at 50%. These metrics give a clear indication that by aligning assessments to business priorities, true business impact can be achieved.

- **Access to Assessment and Talent Data.** Business leaders know they need the right people in the right place to execute business strategy, but their best intentions can be thwarted when they don't have the information they need to make these human capital decisions. Best-in-Class organizations understand the importance of talent visibility and are 124% more likely than All Others (47% vs. 21%) to use their HR technology solutions to provide a repository of talent profiles, including assessment data, to identify and track talent across the organization. Providing managers with access to this data helps guide their decision-making and improves their ability to achieve business goals.

### ***Best-in-Class Assessment Use Makes a Difference***

It takes time and thoughtfulness, not to mention the real work of integrating with business strategy, to come up with a strategy to bridge leadership gaps, and implement the right assessment strategy in support of this goal. But Figure 5 illustrates why working to implement Best-in-Class strategies is so important. These organizations achieve double-digit gains over their counterparts in their ability to achieve organizational goals and execute business strategy, hire individuals who can get up to speed quickly, and improve the overall engagement of their entire employee base. These are critical elements to truly taking charge of your organization's future and building a sustainable talent pipeline.

**Figure 5: Impact of Best-in-Class Assessment Strategies**



Source: Aberdeen Group, March 2013

To achieve this level of Best-in-Class performance, companies must ensure that appropriate assessments are used throughout the talent lifecycle, understand how to take action on assessment data, and create individualized development plans. Both the assessments used and the action plans created from them must be continually aligned with business goals in order to ensure ongoing performance.

## Key Insights

Organizations face many challenges, but the shortage of available leadership talent is one that will impact every other part of the business. Without the right leaders, no business strategy can hope to succeed. Organizations must take every step to ensure that they build a pipeline of talent, identify high potential future leaders, and focus on developing for the future. Developing an organizational competency in the ability to identify critical skill gaps, and develop the right employees to bridge those gaps, will create real competitive differentiation for organizations in today's marketplace. Keep in mind the following key insights as your organization plans for its future success.

- Utilize assessments as a source of objective data throughout the talent lifecycle, not just a point solution. Assessment data both pre- and post-hire can be used to continually monitor the health of your organization's talent pipeline.
- In order to build strong leaders in the future, organizations are using assessments data to take action on development. It is not enough to simply assess; organizations must turn assessments results into plans for action.

- Organizations must differentiate talent to differentiate development investment. Uncovering high potential future talent and investing in their development will yield positive results for the long term.

Adopting the right strategies and supporting processes, along with enabling technology, allows organizations to effectively use assessments throughout the talent lifecycle and more effectively manage their organization's future.

For more information on this or other research topics, please visit [www.aberdeen.com](http://www.aberdeen.com).

Related Research	
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