

# The Use of Talent Management Instruments and Procedures in Germany: A Broad Explorative Study of Effectiveness and Success Factors

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**Abstract:** While talent management has become a fixed term on HR agendas worldwide, it appears that that quality of talent management practices, infrastructure, and success measurements of talent management in German organizations is still low. This explorative empirical study – one of the largest ever done on this topic in Germany - shows that roles and responsibilities in the talent management process remain often unclear, processes and tools such as an IT infrastructure are often weak, and success measures are often not applied. But there is also surprising evidence that companies in Germany largely apply the wrong measures. It seems that in many German organizations, instruments and procedures are being applied which either have a rather neutral or even can have a counterproductive effect on talent management success. Reversely, instruments which can be linked empirically to talent management success, are not being applied as consistently as you would expect based on HR professionals knowledge on the subject matter. This paper presents the results of an explorative study on the scope of talent management in German organizations, the use of specific instruments and procedures, and links the use of instruments to various measures of success, most notably the assessment by talent management professionals. The results are both startling and surprising: Instruments most widespread in German organization are those which often have a neutral or even negative effect on talent management success. Starting with the question, how important talent management from the perspective of the organization, the study provides a detailed view on the use of specific measures and the processes applied by German organizations. Based on the responses of 125 participants of an online survey with talent managers and other HR professionals, we found a lack of commitment to talent management processes by leadership as a possible explanation for the state of talent management in Germany.

**Keywords:** Talent Management, Success Factors, Success Measures, Infrastructure, Information Technology, Benchmarking, HR Processes, Explorative Study

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## 1. Introduction

While the majority of organizations in Germany apply some sort of talent management, objective success measures, IT support or even external benchmarking is used to a much lesser degree. As a result, the quality of talent management in German organizations is low, and also German employees are often unsatisfied with the HR talent management measures applied in their organizations (Deloitte LLC study series 2009, 2012).

Historically, talent management received little attention in

Germany when the McKinsey report on the ‘War for Talents’ was first published in 1997 and gained much attention McKinsey (Michaels, Handfield-Jones, & Axelrod, 2001; Axelrod, Handfield-Jones, & Michaels, 2002). In most industries, the talent shortage had not arrived at the time. During the boom years of 2001 and 2002, the labor shortage initially hit companies trying to fill technical and engineering roles. However, between 2001 and the crisis year 2009, talent management enjoyed increasing attention within the field of

strategic personnel management.

Since the term was first used in 1997 in the context of the war of talents claimed by McKinsey, not a single consistent or concise definition of talent management has emerged (Aston, Morton 2005). Lewis & Heckman (2006) identified a 'disturbing lack of clarity regarding the definition, scope, and overall goals of talent management', and identified three key streams of thought: Talent management as substitute for human resource management, talent management as the development of talent pools, and finally the management of talented people. Collings & Mellahi, (2009) define talent management more precisely as 'activities and processes that involve the systematic identification of key positions' differentially contributing to the success of the organization, the development of talent pools, and the HR architecture or processes to help fill these positions.

Today, talent management strategies continue to be one of the areas within modern HR with particularly high interest. It seems quite paradoxical that despite the large professional interest, little research has been done to identify the real success factors of instruments and procedures, and how these link to financial benefits for the organization. In addition, there is largely a low theoretical understanding on how talent management practice differs across countries and links to culture. The literature defines talent management as strategic HR activities in the areas of recruiting, performance management, skill and competency management, compensation and succession management with the objective of balancing expectations of critical workforce segments with the requirements of the organization. Most authors explicitly separate talent management from strategic workforce planning which includes the long-term cost and benefit simulations of talent management and always includes both quantitative and qualitative talent criteria.

While the increase in importance is clear and backed by the results of this paper, the literature is unclear about its reasons (Festing, Schäfer & Scullion, 2013). Organizations try to align their talent management programs to their needs, may it be driven either by requirements in the area of recruiting, succession management, personnel development, or diversity and are largely basing their approaches on different schools of thought.

Some authors link the increased interest in talent management to stronger demands from the business towards the HR function (as a support function). These demands include balancing the supply and demand of the workforce in light of the demographic change (Capelli, 2008) as well as HR process efficiency (Ulrich, 2008). Other authors link the increase of talent management largely to increasing demands from new generations of applicants' with changed values and preferences (Ng, Burke, 2005). Recently, authors assume that the interest for talent management could be based on an intended façade (Brunson, 1989).

The theoretical basis of talent programs is thin. A major driver for talent is clearly rewards theory, however recently it has been emphasized that monetary benefits are less responsible for good performance than internal motivators.

Other theoretical concepts educating good talent management are equilibrium theory, and goal achievement theory with very little self-determination theory, self-regulation theory (Van Nuland, 2010).

While the most commonly stated benefit of talent management is to identify, develop and retain the most valuable critical employees (Leigh 2009; Germain 2010), some authors stress how potentially harmful it can be for an organization to focus on a small group of people while the contribution of the others is ignored (Pfeffer 2001). Other studies are more pragmatic and emphasize the use of effective talent instruments (Stahl 2007).

In sum, these developments have led over the past years to a striking expansion of talent management systems and instruments in many organizations. However, in many instances the effectiveness of instruments is not clear and the most effective instruments are not necessarily used most often. Specifically, in German organizations talent management is applied for the wrong reasons such as external demands from the business whereas true understanding of cause and effect of talent processes are highly undervalued and not sufficiently understood especially with respect to younger applicants. This has led in Germany to the use of wrong of wrong instruments and procedures.

## 2. Research Questions

The aim of this study is to establish empirically the relationship between the use of specific instruments and procedures and objective success measures in Germany. In order to clarify the linkages between instruments and talent management success, we will draw separate hypotheses for different talent management components indicating quality, such as processes, infrastructure and instruments. Thus, we will try to explore the reason why companies in Germany systematically and consistently apply talent instruments and procedures which are counterproductive.

Initially, we measure today's weight of talent management in German organizations and establish a complete overview over the prevalence of specific instruments and procedures. By linking the use of instruments to several measures of success (assessment of talent management success, external recruiting rate, fluctuation), we – for the first time - identify several clear success factors of talent management. The aim is to both develop a structured approach to assessing the effectiveness of instruments, processes and procedures as well as identifying objective success factors.

We expect an increasing importance of talent management and low levels of infrastructure and commitment towards talent management roles. In addition, we expect relatively low use of success-critical instruments. Moreover, we also expect a relatively low use of other success factors as reason for the relatively low levels of contentedness with talent management processes.

While explorative by nature, this research started out by defining two main hypotheses explaining the rise of talent

management with two different lines of thought. The study was designed to help identify factors either in support or in contradiction to one of these hypotheses. Thus, our research is guided by the following research questions and hypotheses:

*Hypothesis 1:* The importance of talent management is generally on the rise (even during crisis years which tends to produce a talent surplus). Talent management is more important now than before, due to various reasons (demands from the business, demands from employees/applicants).

*Hypothesis 2:* Talent management is neither managed (clear roles, low infrastructure) nor practiced well in German organizations, as success-critical instruments are less in use compared to other instruments. This is the reason, why talent management is not successful in the eyes of management and employees.

### 3. Methods

#### Sample

In the spring of 2009, the department for personnel management at the University of Cologne contacted the personnel departments of the largest 1200 companies in Germany – measured by revenue. Initially, only the objectives of the study were revealed with the request to identify the talent manager or expert. In about 260 cases, a talent manager or expert was identified to whom the online questionnaire with the 52 questions was sent. Of this group, about one half completed the online survey (125), resulting in

a response rate of almost 50%. One third of the participants identified as talent managers, another third as other HR professionals and another third as personnel managers or general managers. The average number of employees of the participating organizations was about 20,000, with all major industries being represented.

The study also assesses the effectiveness of instruments and identifies several success factors of talent management from the perspective of HR professionals.

Figure 1 provides an overview of the participating industries; Figure 2 shows a breakdown by company size:

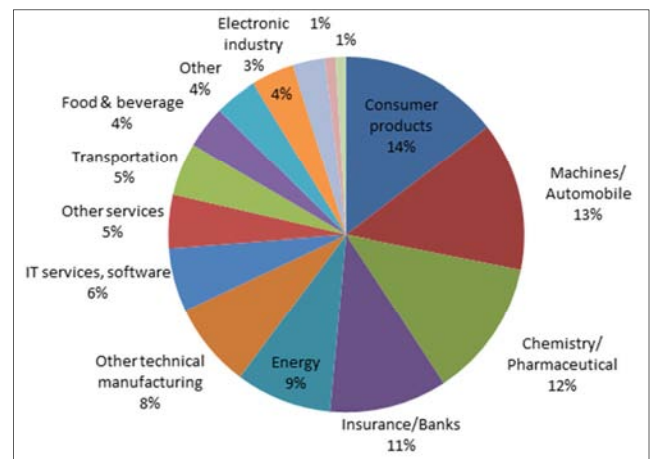


Figure 1. Overview of the participating industries.

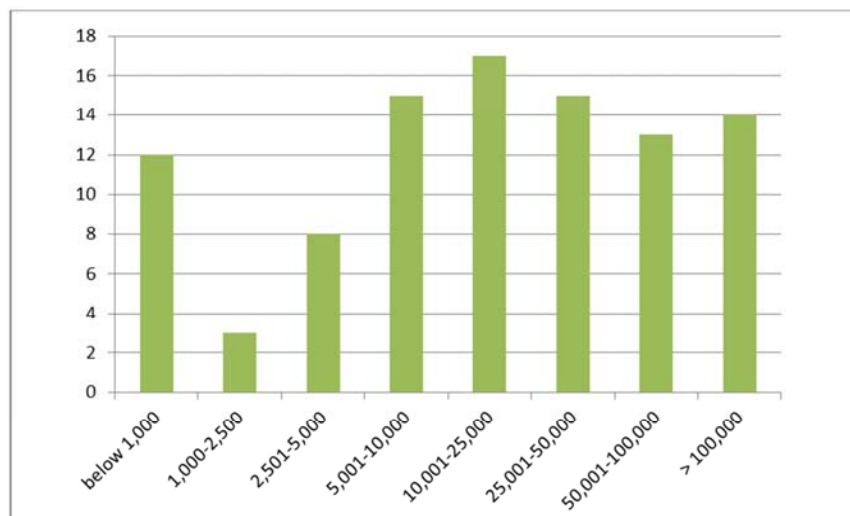


Figure 2. Breakdown by company size (number of employees).

The collection of data was carried out between March and May 2009. The participants were asked to take about 30 minutes for answering the questions, which were structured in 5 parts:

- Assessment of the importance of talent management (in the organization)
- Identification of instruments and processes used
- Objectives of talent management
- Success factors
- Socio demographic data of the participating individuals and organizations

### 4. Design and Procedure

In the first part of the questionnaire, participants were asked to subjectively assess the importance of talent management in their organizations (cf. Table 1a). This section also included questions about the target groups of talent management, responsibilities in the talent management process, the infrastructure for talent management and the general attitude towards talent management across the

hierarchy of the organization.

In the second part of the questionnaire, participants were asked to identify the instruments in use for different target groups based on a list of 32 instruments grouped into 5 process areas (cf. Table 1b). In addition, participants were asked separately to identify the most effective and ineffective instruments from their perspective. In addition, in this section the participants were also asked to differentiate between their own, top management's and overall employee's perspective.

In the third part, the orientation of talent management and reasons for preferences from the perspective of HR were assessed. The questions in this section were chosen to identify success-critical processes and procedures and to collect key metrics (cf. Table 1c). In this section, too, the participants were asked to differentiate between their own, top management's and overall employee's perspective.

The fourth part, participant's views about the effectiveness of instruments, processes and procedures – such as successes of talent management – were assessed.

## 5. Measures

### 5.1. Use of Instruments

Participants were asked to state the use of instruments by target group (top and senior management; middle

management; employees without management responsibility).

### 5.2. Coverage of Processes and Procedures (Target Groups)

Participants were asked on the basis of a 5 item scale (from strongly agree or strongly disagree) to agree or disagree to statements on the use of processes and procedures as well as target groups for talent management.

### 5.3. Success of Talent Management

In order to generate a viable and reliable indicator for success, we asked as a first step the talent managers or other respondents of the survey for their assessment of the talent management success ('How do you assess the success of talent management in your organization?'). In a second step, this subjective assessment of success was analyzed for consistency with other objective (quantitative) success metrics as well as comparisons of practices and procedures in successful versus less successful companies. The success indicator used correlates strongly and significantly in the expected directions: For example, it correlates negatively with external recruitment of candidates and positively with employee satisfaction and employer attractiveness and was thus deemed valid for this purpose. Figure 3 provides an overview over all correlations.

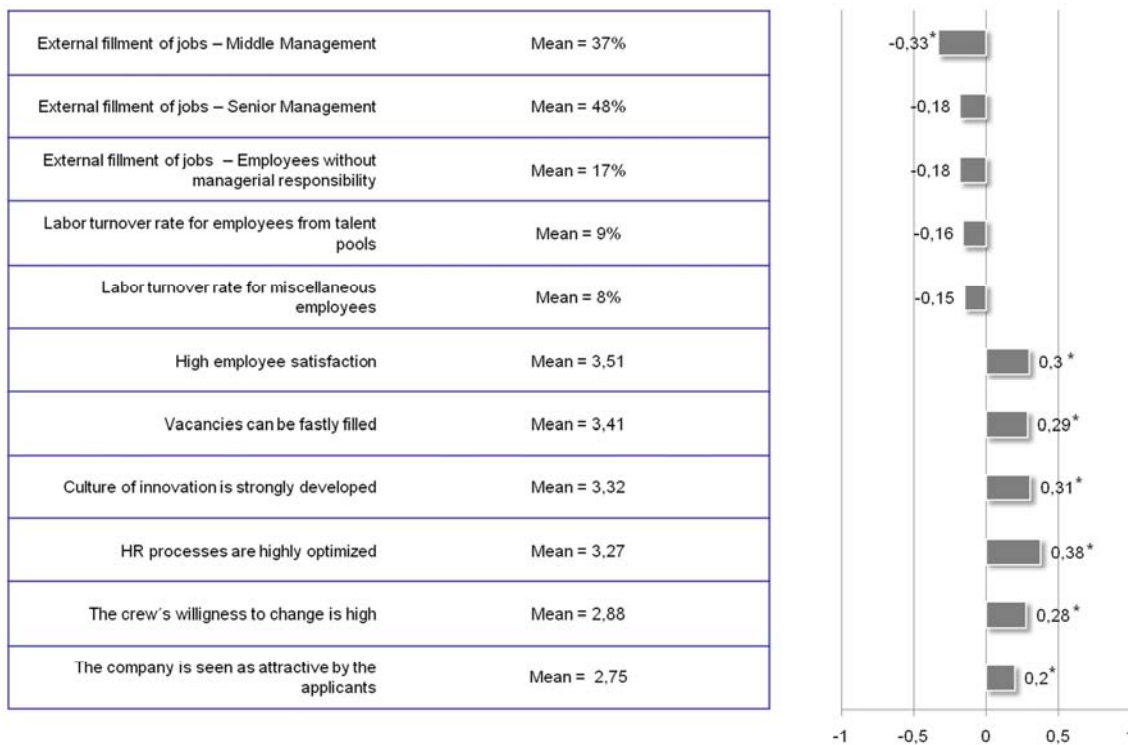


Figure 3. Respondents' assessment of the success of talent management in their organizations.

## 6. Results

The mean, standard deviations and Cronbach's alpha to measure the internal consistency of the main variables used in the study are presented in table 1a.

**Table 1a.** Overview of main indices, variables and items.

	Variable code	Mean	Standard deviation	Range	Cronbach's alpha
Importance of Talent Management					
How do you rank the significance of talent management ranked in your organization?	stew_tm	4.01626	.8296132	1-5	0,63
Has the significance changed during the (current) crisis	delt_stew_tm	1.98374	.9494065	1-3	
Is there a position/department dealing mainly with talent management?	pos_tm	.8016529	.400413	1-2	
Is there an explicit talent strategy?	strat_tm	.557377	.4987452	1-2	
Do you measure the success of talent management?	erfmes_tm	.4545455	.5	1-2	
Do you use an IT tool?	itunt_tm	.3801653	.4874457	1-2	
Do you use external benchmarking for talent management?	exbench_tm	.1848739	.3898367	1-2	
Target groups					
Top management	zielg_tm_tm	.5645161	.4978316	0-1	0,51
Senior management	zielg_tm_sm	.6854839	.4662065	0-1	
Other employees with management responsibility	zielg_tm~mfv	.8790323	.3274127	0-1	
Other employees without management responsibility	zielg_tm~ofv	.7016129	.4594065	0-1	
Roles					
Main responsibility with (HR)	beteiligsv~o	.8145161	.3902664	0-1	44%
Tool design (HR)	beteilausa~o	.9435484	.231728	0-1	
Process execution (HR)	beteildurc~o	.9193548	.273394	0-1	
Process evaluation (HR)	beteileval~o	.8951613	.3075883	0-1	
Commitment					
HR Department	ant_tm_perso	.7790598	.2584135	1-3	0,51
Executives	ant_tm_fk	.5150862	.2705244	1-3	
Top Management	ant_tm_tm	.5884615	.3275026	1-3	
Contentedness with talent management instruments in use (leadership)					
Recruiting	zufuntl_tm_rec	1.522936	.554382	1-3	44%
Performance management	zufuntl_tm_per	1.536364	.5695205	1-3	
Compensation management	zufuntl_tm_comp	1.657407	.5984722	1-3	
Skill and competency management	zufuntl_tm_skm	1.719626	.5954924	1-3	
Succession management	Zufuntl_tm_lnp	1.880734	.662833	1-3	
Contentedness with talent management instruments in use (employees)					
Recruiting	zufmit_tm_rec	1.59633	.5291374	1-3	44%
Performance management	zufmit_tm_per	1.836364	.5506839	1-3	
Compensation management	zufmit_tm_comp	1.962963	.56247	1-3	
Skill and competency management	zufmit_tm_skm	1.925234	.508437	1-3	
Succession management	Zufmit_tm_lnp	2.192661	.5177777	1-3	

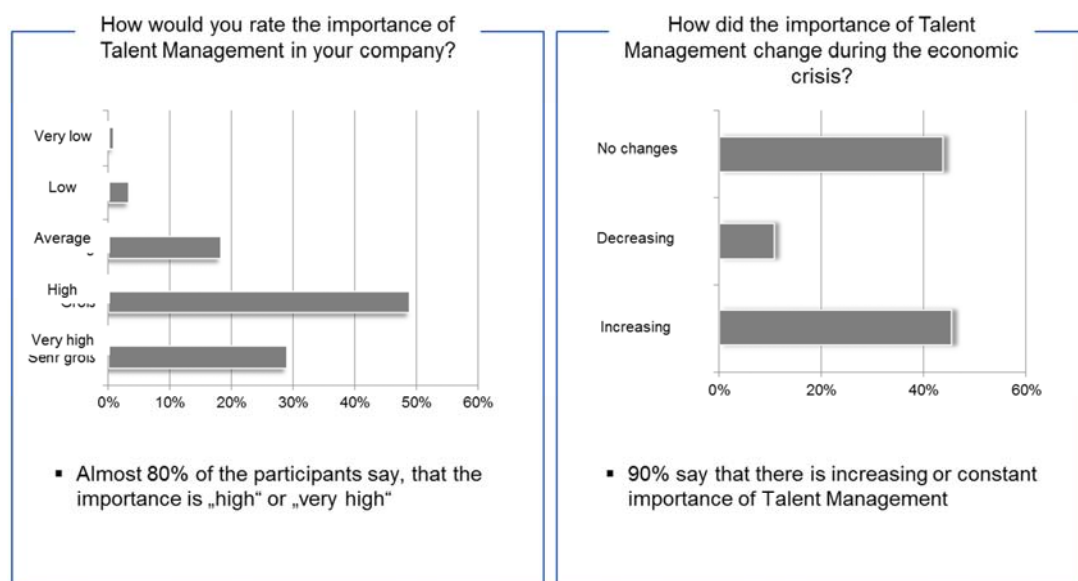
Importance of Talent Management

Target Group

Roles of Talent Management

Commitment Roles

Contentedness with instruments (leadership and employees)

**Figure 4.** Respondents' general evaluation of the importance of talent management.

The majority of respondents, (almost 80 percent) describe the importance of talent management in their organizations as "big" or "very big". Asked for any changes as part of the 2009 financial crisis, 90 percent of the interviewees claim a rising or at least constant importance of talent management.

Despite the generally high perceived importance of talent management it surprises that a suitable infrastructure is often relatively weak. It appears that talent management is a topic whose importance is recognized on the abstract level but is (perhaps due to its complexity) hardly addressed on the concrete level. Everybody knows and agrees that it is important to care for talents, but there is an obvious lack of

real strategies and knowledge of concrete facts – it appears that HR managers are kind of flying blind in this field. For example, measuring and tracking of results takes place only in half of the participating organizations and there are very few established metrics indicating the success of talent management activities. Also, in almost two thirds of the enterprises surveyed, talent management is carried out without an integrated IT solution facilitating the interaction between managers, HR and employees. In addition, most IT tools used are self-developed and therefore don't take advantage of external best practice. Not surprisingly, external benchmarking is the exception.

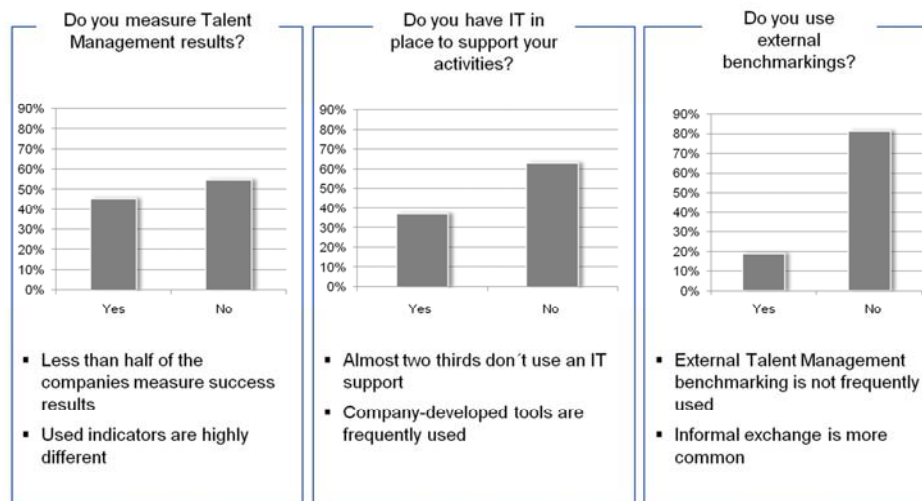


Figure 5. Results measurement, IT support and external benchmarking in talent management.

After all, in 80% of the participating organizations there exists an HR section predominately involved with talent management, whereas only 55% have an explicit talent management strategy.

Study participants were asked which talent management instruments are applied in their organizations and for which different target groups. 90% of the participants indicate that talent management refers to mid-level executives and in 70%

to senior management. In 70% of the participating organizations employees without managerial responsibilities are a target group. However, filtering for organizational size shows that large-scale organizations (with more than 20,000 employees) often restrict their talent management to middle and upper executives; thus talent management is often not a comprehensive process.

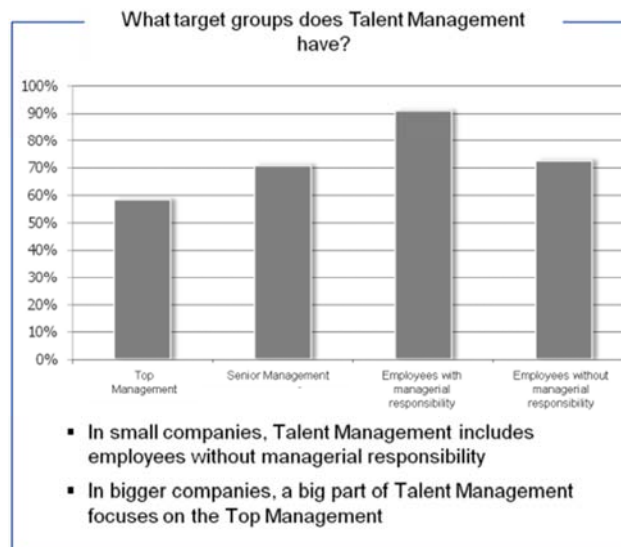


Figure 6. Target groups of talent management.



As for the distribution of tasks, a very clear picture arises: while HR is evenly involved in all aspects of talent management from concept to evaluation of tasks, executives are expected to take the lead in implementation. Despite this high responsibility, executives' commitment to perform these tasks is often too low, which appears to be one of the main challenges of successful talent management. Despite the great importance attached to talent management in general, there appears to be a significant lack of awareness and commitment among executives and thus a lack of support for the implementation of talent management activities.

Asked about whether the intended roles are executed with full commitment, the executives clearly score lowest in the opinion of the participants who obviously have identified a lack of responsibility. Only in little more than half of the organizations is this role executed with full conviction as perceived by the participants. This is especially significant in light of the finding that the organizations in which executives do fill their roles with high levels of commitment have a significantly higher likelihood of being a successful organization. This means, the executives themselves represent a highly significant success factor for talent management.

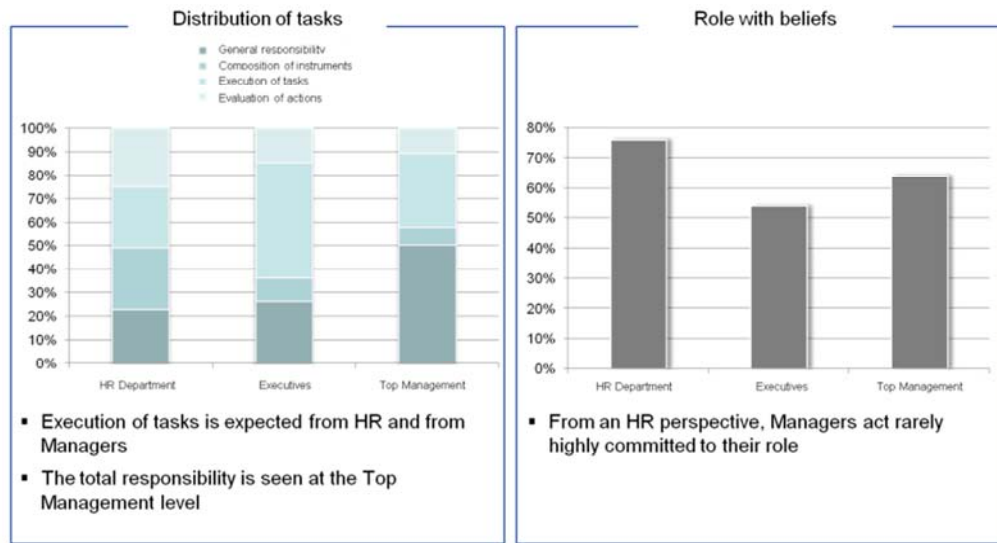


Figure 7. Distribution of talent management tasks, and commitment.

Overall, the organizations which are able to set up successful talent management processes create more value from "human capital" available to them, because they can identify and allocate talents better, must recruit less externally and lose less talents. A lot speaks for the fact that

such investments are exceptionally profitable.

Finally, satisfaction levels with talent management instruments are higher among executives compared to employees indicating that talent management is understood as investment however with limited payoff so far.

Table 1b. Specific talent management instruments.

	Variable code	Mean	Standard deviation	Mean 2	Mean 3	Mean 4
Recruiting Instruments						
Portal for internal candidates	bpi	.4327957	.4142446	.2258065	.5241935	.5483871
Portal for external candidates	bpe	.4798387	.373944	.266129	.6290323	.6935484
Refer a friend program	raf	.2096774	.3542687	.1451613	.2096774	.2741935
Automated communications with talent pools via emails/texting	ak	.0483871	.1736663	.0241935	.0483871	.0725806
Structured exit management	sem	.2016129	.3676595	.2177419	.2258065	.1612903
Detailed job descriptions	ds	.672043	.3918406		.7419355	.6935484
Detailed qualifications catalogue	da	.6048387	.4129059	.6048387	.6612903	.5483871
Headhunting	aan	.5026882	.3194846	.7741935	.5725806	.1612903
Assessment Center internal candidates	asi	.3198925	.3437379	.25	.4274194	.2822581
Assessment Center external candidates	ase	.3602151	.3362925	.233871	.3870968	.4596774
Talent pools	tp	.5215054	.3759767	.3629032	.6370968	.5645161
Personalized onboarding program	po	.3844086	.4335612	.3387097	.3951613	.4193548
Performance Management Instruments						
Target setting	zv	.8172043	.3190853	.8629032	.8709677	.7177419
Performance evaluation in several dimensions/categories	lb	.7768817	.3649548	.733871	.8145161	.7822581
360 degree feedback (pm_360)	pm_360	.3198925	.3489543	.4516129	.4193548	.0887097
Quantitative performance indicators	ql	.655914	.3963143	.7258065	.7177419	.5241935
Potential evaluations, structured and periodic	pb	.6693548	.3765866	.6532258	.766129	.5887097
Management panels for performance evaluations	mpl	.3870968	.425873	.4435484	.4354839	.2822581
Management panels for promotions	mpb	.2123656	.3513676	.2580645	.25	.1290323

	Variable code	Mean	Standard deviation	Mean 2	Mean 3	Mean 4
Recommended distribution of performance categories	evl	.2473118	.3984409	.25	.266129	.2258065
Forced distribution	fd	.0564516	.2113397	.0645161	.0483871	.0564516
Compensation Management Instruments						
Variable pay components in general	vgka	.7741936	.3361625	.8709677	.8225806	.6290323
Variable pay components on the basis of team performance	vgkt	.3682796	.3960477	.3387097	.3870968	.3790323
Variable pay components on the basis of individual performance	vgki	.6827957	.3750455	.75	.7580645	.5403226
Optional unpaid vacation sabbatical	uu	.2553763	.3967093	.1854839	.2741935	.3064516
Variable benefits	vzl	.2284946	.3690045	.2822581	.2580645	.1451613
Variable pay components on the basis of company performance	vgku	.6827957	.3701969	.8387097	.7016129	.5080645
Skill and competency Instruments						
Personalized development plans	pep	.6129032	.4085515	.5322581	.7016129	.6048387
Employee portal for training and continuing education	mp	.5322581	.4576349	.4354839	.5725806	.5887097
Competency model	km	.6155914	.4121996	.5887097	.6935484	.5645161
Management training, external	mt	.6424731	.3213943	.8145161	.8064516	.3064516
Succession planning Instruments						
Probability assessment for turnover rates	ba	.2419355	.3539395	.2903226	.2983871	.1370968
Personalized career paths	pl	.2043011	.3284457	.1854839	.2580645	.1693548
Alternative career paths	aak	.3037634	.355654	.1612903	.3306452	.4193548
Mid and long-term succession plans	mnlp	.5430108	.3332459	.7580645	.6612903	.2096774
Domino lists	dl	.1129032	.2546305	.1532258	.1451613	.0403226
Requirements / potential alignments	abp	.3145161	.4016732	.3145161	.3870968	.2419355

Mean=All employees

Mean 2=Top and senior management

Mean 3=Middle management

Mean 4=Employees without management responsibility

*Table 1c. Quality of talent management processes.*

	Variable code	Mean	Standard deviation	Range	Cronbach's alpha
Recruiting					0.53
Employees outside of recruiting regularly get involved in recruiting processes	stelbes_1	4.137615	1.150426	1-5	
Even young very talented employees can obtain management positions in our company	stelbes_2	3.907407	.9020956	1-5	
In our company, we value working experience very highly when filling important managing positions	stelbes_3	3.648148	.7771842	1-5	
There are always high numbers of internal applications when open positions are posted	stelbes_4	3.141509	.9898406	1-5	
Internal jobs are frequently filled with applicants who have been informally appointed in advance	stelbes_5	3.168224	1.032363	1-5	
Often those internal candidates are successful who prior had not been considered for this role	stelbes_6	2.783019	.8508228	1-5	
There are frequent cross divisional and cross functional transfers	stelbes_7	2.849057	1.0216	1-5	
The capabilities of available internal candidates often influence the job design for open positions	stelbes_8	2.669811	1.002109	1-5	
Performance management					0.60
In case your organization has a competency model, is it used regularly and comprehensively	kommod_1	3.294872	1.117848	1-5	
The competency model is regularly updated	kommod_2	3.320513	1.178747	1-5	
The content of personnel development plans is mostly influenced by the employee himself/herself	einfent_ms	3.66	.8192137	1-5	
The content of personnel development plans is mostly influenced by the direct superior	einfent_dv	4	.6963106	2-5	
The content of personnel development plans is mostly influenced by HR	einfent_pb	3.16	1.032013	1-5	
The potential of an employee finds strong consideration in the career planning process	berueck_1	4.11215	.7180569	2-5	
Compensation management					0.65
The compensation package can be tailored individually based on employee preferences	comman_1	2.489796	1.076888	1-5	
More and more employees take advantage of this service	comman_2	2.206522	.9438994	1-5	
Employees with high potential are being compensated significantly higher than other employees	comman_3	2.948454	1.083697	1-5	
Skill and competency management					0.65
The career development plans reflect the realistic professional objectives.	sukman_1	3.602041	.74252	1-5	
Training and advanced training plans are seen as self-controllable by our employees.	sukman_2	3.336735	.8727711	1-5	
Our Skill and Competency Management considers the employees' personality.	sukman_3	3.520408	.9441037	1-5	
Development plans are being implemented with high probability	sukman_4	3.494845	.7789377	2-5	
The implementation of personal development plans is regularly supervised	sukman_5	3.272727	1.03823	1-5	
Succession management					0.48
Cross-division or functional career paths are more often initiated through the employer than	initfuwe	3.273585	1.046837	1-5	



	Variable code	Mean	Standard deviation	Range	Cronbach's alpha
individual employees					
Global mobility assignments are more often initiated through the employer than individual employees	initausent	2.095745	.951164	1-5	
The employees' personal objectives are strongly considered for their career development.	berueck_2	3.682243	.7721342	1-5	
The overall personality of an employee finds recognition in their career development	berueck_3	4.046729	.7187932	2-5	
The individual situation of each employee is considered when designing time and content of their job	berueck_4	3.27619	.7531375	1-5	
The company enables personalized career paths based on the employees' interest and life objectives	nukman_1	3.04902	1.137806	1-5	
Maternity leave, sabbaticals and other leave of absent is being considered in career management	nukman_2	3.213592	1.16863	1-5	
The use of flexible time-off policy obstructs a structured succession management	nukman_3	2.535354	1.081506	1-5	

Quality of Talent Management processes and procedures

Table 1b and 1c provide an overview over the use of specific instruments sorted by life cycle, as well as processes and procedures respectively. In order to get a first overview of how widespread specific talent management instruments are used in practice, the participants were asked to mark in a closed list of 36 instruments the ones used in their organization as well as their target population, which shows

large differences in the use of specific instruments across all target groups. As a result, lists of instruments could be distilled which are almost unanimously perceived as effective, others which had been assessed as rather "neutral", other which are rather polarizing and also instruments which have been classified by the majority of participants as more or less ineffective.

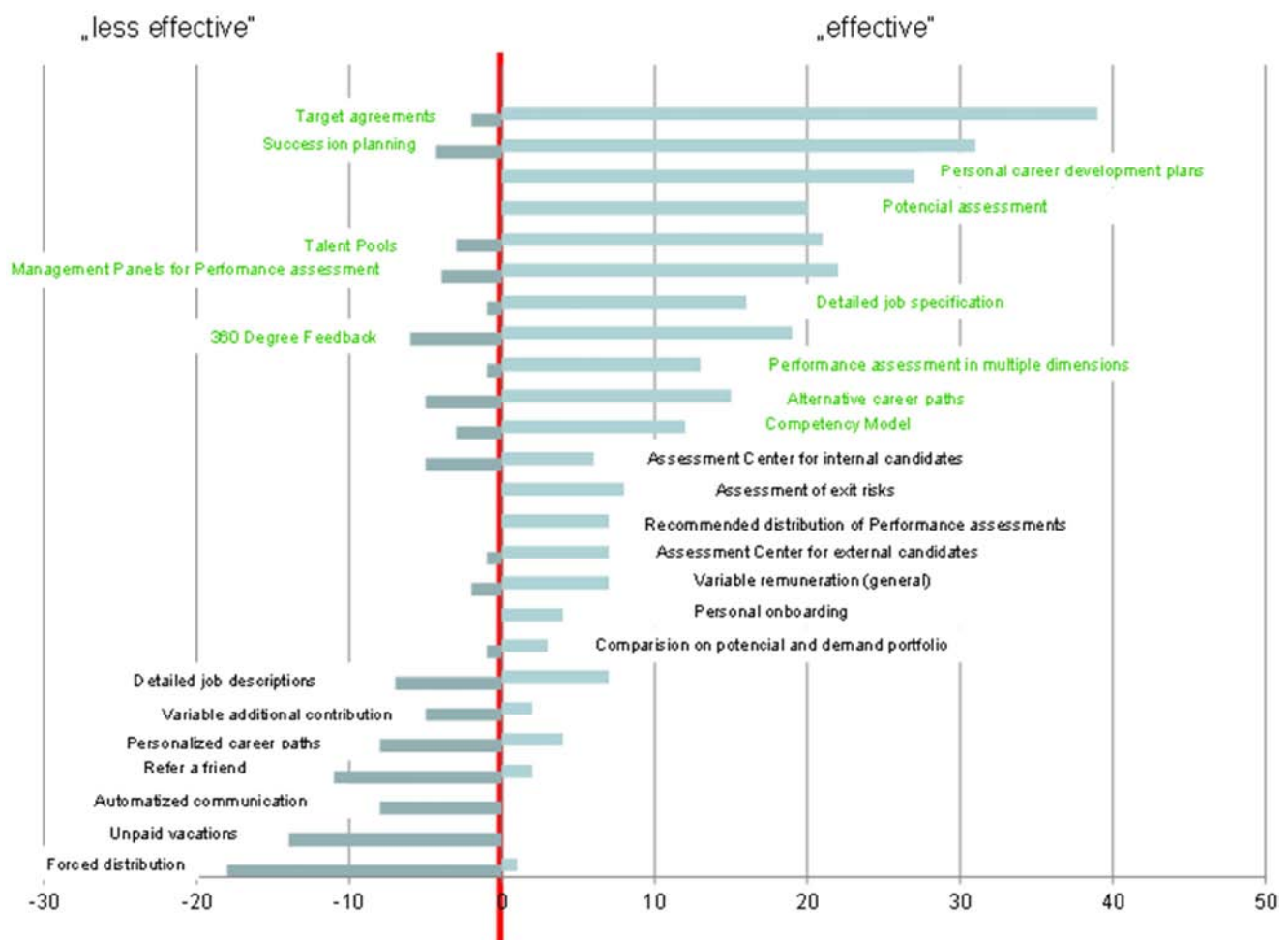


Figure 8. Assessment of instruments by talent managers as less or more effective.

As an example, goal settings, succession planning, personalized development plans and talent pools are assessed almost unanimously as effective due to their

motivating effect. The 360-degree feedback, internal Assessment Center and detailed job descriptions have been assessed as polarizing. Interestingly 'Forced

distribution', a performance management process as carried out at the American group General Electric, has been assessed nearly unanimously negatively by the respondents. Generally, it appears that the most widespread instruments are not necessarily the most effective. In contrast, quite often relatively little use is made of the most effective instruments (i.e. personalized career paths, exit management, automated communication with talent pools).

By separately analyzing the talent portfolio of companies with high subjective success of talent management together with companies in which this is not the case, it was possible to identify both instruments and specific procedures which describe successful companies as opposed to less successful companies. While causalities cannot clearly be determined, this analysis revealed some interesting patterns.

For example, one of the success factors appears to be the use of instruments to systematically measure the employee potential and to identify special talents on the basis of this information. Our analysis shows that successful companies use systematic potential appraisals significantly more often than less successful ones. Besides, it seems important to trust not only the judgment of the direct executive, but to confirm this assessment clear and understandably by others. Often internal assessment centers are used for this. Surprisingly, management panels in which several executives discuss together potential and performance evaluations or promotional decisions are seldom used in the participating companies. However, it appears that companies with

overall successful talent management processes use such performance panels significantly more frequently.

A key issue in the identification of talents in companies is that executives tend not to differentiate enough when assessing potential due to positivity bias and dissonance reduction. In many companies, frequently very different performance levels find application in different functional areas. However, the development of uniform assessment standards is important to be able to compare talents across functional areas. It appears that successful companies use significantly more often recommended performance and potential ratings to support executives applying the same differentiation criteria. However, companies using the stricter 'forced distribution' tend to assess their talent management as less successful. Talent managers seem to share the skepticism cited towards the forced distribution systems. In contrast, talent pools are often the central instrument to promote a group of especially gifted employees. They are being used in 72% of the less successful companies, but in 86% of the successful ones.

Nevertheless, the study also points out that successful enterprises handle the subject of talent management much more openly and produce more transparency than less successful companies. They communicate the existence of talent pools more openly and inform the employees about their talent pool affiliation. Remarkably, successful enterprises also significantly more often permit a self-application process for employees for admission to talent pools, which is also in line with findings in fairness research: Fairness and openness constitute important motivational factors for employees.

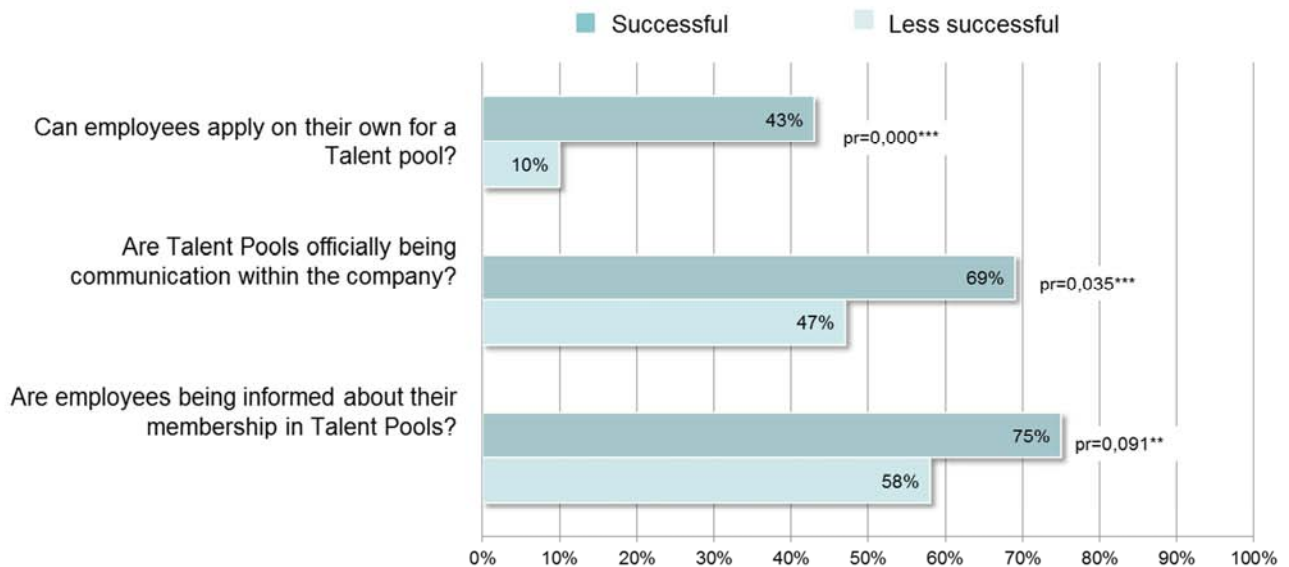


Figure 9. Openness and transparency about talent pools.

In addition, the analysis of effectiveness of a balanced set of talent processes underlines the importance of a functioning clear internal job market also from an employee's view. This is found, for example, based on the significantly higher approval rate in successful companies

for statements such as 'there are many internal applicants on posted internal positions' and also that 'employees initially not considered for a position through the regular talent processes' can be successful in open positions.



Figure 10. Internal recruiting.

#### Success factor 'Alternative career paths'

In the area of career and succession planning, the traditional nuclear area of talent management, the most effective instruments are not necessarily the widespread ones. While offers of alternative career paths (for example, an expert's career) as well as personalized career paths likewise

seem to be signs for successful talent management ( $pr=0.000$ ,  $pr=0.002$ ), these offers still are rather the exception. The chart below summarizes the significance levels of specific instruments linked to career and succession planning in indicating successful vs. less successful companies:

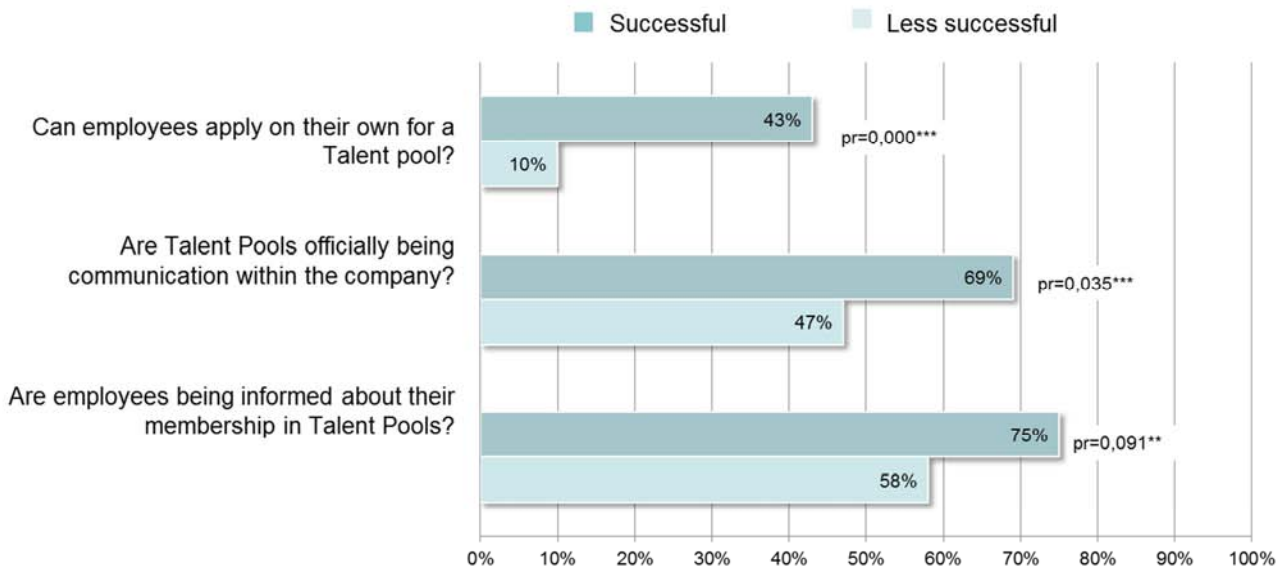


Figure 11. Talent pools.

#### Success factor 'Management of separations'

Surprisingly, in times of a financial crisis, during which many companies need to adjust staff levels, the importance of good separation management seems to be underestimated by

many organizations. This includes the assessment of fluctuation risks as well as a structured exit management serving to learn from fluctuation and to protect the remaining key talents.

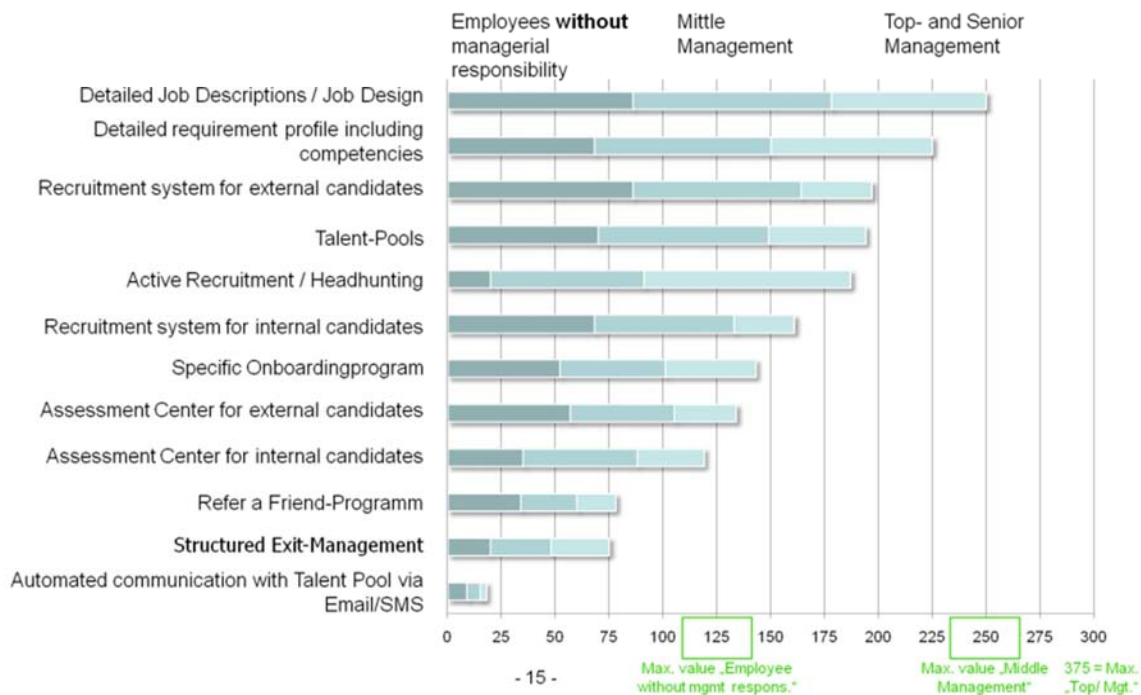


Figure 12. Distribution of recruiting tools in target groups.

#### Success factor 'Incentive management'

The structured measurement of performance and in particular the variable reimbursement of team achievements also appears success-critical for talent management. In this regard, the study points in particular to the importance of team bonus payments, which are used by more successful enterprises significantly more often than in the comparative group. Team bonus systems can generate a positive influence on the solidarity, the willingness to co-operate and the identification with the success of the organization. In such a climate talent management can better function, because, for example, the acceptance of performance differentiation rises if the organization as a whole benefits.

In order to test the hypothesis about success factors of talent management, separate hierarchical regression analyses were carried out for each talent management area sorted by life cycle. Tables 3 and 4 show the results for talent management instruments and processes respectively. Table 3 confirms the negative effect of forced distribution, as well as the positive effect of variable pay, personalized career paths and the probability assessment of turnover intention. Table 4 clearly confirms the expected direction and significance levels for openness and transparency of the recruiting processes, inclusion of potential, as well as self-control.

Table 2 shows the correlations among the groups of talent management instruments and processes sorted by life cycle.

Table 2. Means, standard deviations and correlations for all variables.

Variables	Mean	Standard deviation	Recruiting instruments	Performance instruments	Compensation instruments
Recruiting instruments	.4301002	.1686412	1.0000		
Performance instruments	.5227687	.1787906	0.5631	1.0000	
Compensation instruments	.5591985	.1963842	0.3286	0.3267	1.0000
Skill & competency instruments	.7226776	.2133948	0.5770	0.5761	0.4793
Succession and career planning	.3205829	.209446	0.4808	0.5821	0.3476
Importance talent management	4.065574	.7498634	0.4377	0.4491	0.0424
Delta importance	2	.9486833	-0.1881	-0.1710	-0.0398
Talent department (separate)	.7868852	.4129065	0.2878	0.1964	-0.0359
Talent strategy	.6065574	.4925677	0.1176	0.3137	-0.0328
Success measurement	.442623	.500819	0.3752	0.3509	-0.0261
IT support	.442623	.500819	0.1477	0.2130	-0.1014
External benchmarking	.1967213	.4008188	0.4363	0.1605	-0.1269
Recruiting processes	3.245902	.4908213	0.3234	0.3758	0.2979
Performance mgmt. processes	3.778689	.5684378	0.2784	0.2038	0.2707
Compensation mgmt. processes	2.807377	.6667606	0.4557	0.4471	0.2176
Skill and Competency mgmt. proc.	4.377049	.7522507	0.1131	0.2552	0.2413
Succession mgmt. processes	3.065574	.7066344	0.1233	0.1004	0.1917

Table 2. Continued.

Variables	Skill and Competency instruments	Succession and career planning	Importance talent management	Delta importance	Talent department (separate)
Recruiting instruments					
Performance instruments					
Compensation instruments					
Skill & competency instruments	1.0000				
Succession and career planning	0.5307	1.0000			
Importance talent management	0.2284	0.2589	1.0000		
Delta importance	-0.1990	-0.2423	-0.1171	1.0000	
Talent department (separate)	0.2481	0.1287	0.4227	-0.2127	1.0000
Talent strategy	0.1471	0.2108	0.3418	-0.0713	0.4003
Success measurement	0.1670	0.4254	0.3652	-0.1052	0.3026
IT support	0.1930	0.0194	0.3208	0.2105	0.2220
External benchmarking	0.2750	0.4054	0.1782	-0.1315	0.2575
Recruiting processes	0.3304	0.4518	0.2660	-0.1534	0.0397
Performance mgmt. processes	0.3358	0.3492	0.2888	-0.1854	0.0620
Compensation mgmt. processes	0.5017	0.4031	0.2840	-0.2635	0.1965
Skill and Competency mgmt. proc.	0.3205	0.3234	0.3248	-0.3036	0.1289
Succession mgmt. processes	0.2239	0.1913	0.0442	-0.0994	0.0677

Table 2. Continued.

Variables	Talent strategy	Success measurement	IT support	External benchmarking	Recruiting processes
Recruiting instruments					
Performance instruments					
Compensation instruments					
Skill & competency instruments					
Succession and career planning					
Importance talent management					
Delta importance					
Talent department (separate)					
Talent strategy	1.0000				
Success measurement	0.2448	1.0000			
IT support	0.2448	0.2026	1.0000		
External benchmarking	0.2297	0.2232	0.2232	1.0000	
Recruiting processes	0.2788	0.2472	-0.0821	0.1010	1.0000
Performance mgmt. processes	0.1005	0.1742	0.1596	0.2308	0.3114
Compensation mgmt. processes	0.1333	0.2970	0.1473	0.2221	0.2581
Skill and Competency mgmt. proc.	0.0022	0.0805	0.1026	-0.0014	0.2928
Succession mgmt. processes	0.0594	0.0736	-0.1462	0.0910	0.4562

Table 2. Continued.

Variables	Performance mgmt. processes	Compensation processes	Skill and competency mgmt. processes	Succession mgmt. processes
Recruiting instruments				
Performance instruments				
Compensation instruments				
Skill & competency instruments				
Succession and career planning				
Importance talent management				
Delta importance				
Talent department (separate)				
Talent strategy				
Success measurement				
IT support				
External benchmarking				
Recruiting processes				
Performance mgmt. processes	1.0000			
Compensation mgmt. processes	0.4518	1.0000		
Skill and Competency mgmt. proc.	0.6052	0.5356	1.0000	
Succession mgmt. processes	0.3548	0.3073	0.2819	1.0000

**Table 3.** Results of regression analysis: Specific talent management instruments (dependent variable: success of talent management).

	Variable code	Model 1a		Model 1b	
		Beta	P	Beta	p
Talent Infrastructure	Index3481012	1.35284	0.000***	1.420249	0.000***
Size Dummy 1	Groesse1	-.2224479	0.328	-.0333204	0.894
Size Dummy 2	Groesse2	.0265365	0.910	-.011669	0.962
Size Dummy 3	Groesse3	.3768717	0.234	.5978306	0.064*
Size Dummy 4	Groesse3	-.144085	0.648	-.1423524	0.661
Industry Dummy 1	BrancheECP	.4689061	0.353	.4957256	0.316
Industry Dummy 1	BrancheMFM	.4507686	0.379	.5179958	0.307
Industry Dummy 2	Branche ESP	.6841903	0.204	.7514022	0.159
Industry Dummy 3	BrancheDL	.6684645	0.179	.6719543	0.172
Detailed job descriptions	ds	-.123951	0.628	-.0842929	0.764
Detailed qualifications catalogue	da	.1804446	0.456	.1840955	0.470
Portal for internal candidates	bpi	.1761951	0.506	.668813	0.807
Portal for external candidates	bpe	-.5182974	0.079*	-.5257731	0.076*
Headhunting	aan	-.4237579	0.159	-.5216906	0.091*
Refer a friend program	raf	-.0136689	0.955	-.1181005	0.659
Assessment Center internal candidates	asi	.3663592	0.203	.4097124	0.150
Assessment Center external candidates	ase	-.2586388	0.386	-.4017831	0.198
Personalized onboarding program	po	.1907678	0.355	.3294601	0.128
Talent pools	tp	-.2362821	0.430	-.3760893	0.224
Automated communications with talent pools via emails/texting	ak	.5617921	0.234	.3082604	0.540
Structured exit management	sem	.3312138	0.175	.3452505	0.216
Target setting	zv			1.236023	0.008***
Quantitative performance indicators	ql			.1058041	0.682
Performance evaluation in several dimensions/categories	lb			-.4134865	0.178
Potential evaluations, structured and periodic	pb			-.0001398	1.000
Management panels for performance evaluations	mpl			-.1096695	0.651
Management panels for promotions	mpb			.0312002	0.911
Recommended distribution of performance categories	evl			.3917538	0.113
Forced distribution	fd			-.7594503	0.083*
360 degree feedback	pm_360			.1396283	0.636
Variable pay components in general	vgka				
Variable pay components on the basis of individual performance	vgki				
Variable pay components on the basis of team performance	vgkt				
Variable pay components on the basis of company performance	vgku				
Variable benefits	vzl				
Optional unpaid vacation sabbatical	uu				
Competency model	km				
Personalized development plans	pep				
Employee portal for training and continuing education	mp				
Management training, external	mt				
Mid and long-term succession plans	mlnp				
Domino lists	dl				
Probability assessment for turnover rates	ba				
Personalized career paths	pl				
Alternative career paths	aak				
Requirements / potential alignments	abp				



Table 3. Continue.

	Model 1c		Model 1d		Model 1e	
	Beta	P	Beta	P	Beta	P
Talent Infrastructure	1.364057	0.001***	1.425939	0.001***	1.112232	0.009***
Size Dummy 1	.0378418	0.891	-.0046086	0.987	-.0377296	0.893
Size Dummy 2	.0015224	0.995	.004458	0.987	-.0272967	0.922
Size Dummy 3	.6801725	0.061*	.6552141	0.082	.671713	0.061
Size Dummy 4	-.0145503	0.967	-.1019273	0.801	.2794939	0.493
Industry Dummy 1	.3303174	0.535	.2887545	0.602	.5238046	0.334
Industry Dummy 1	.3880313	0.484	.3754632	0.511	.5413961	0.337
Industry Dummy 2	.5672545	0.315	.4983534	0.398	.5791386	0.335
Industry Dummy 3	.461597	0.388	.4102836	0.458	.7176466	0.186
Detailed job descriptions	-.1847765	0.534	-.2371361	0.443	-.1022027	0.737
Detailed qualifications catalogue	.2157462	0.411	.2551201	0.348	.150074	0.567
Portal for internal candidates	-.0385718	0.898	-.0372869	0.905	-.2749831	0.379
Portal for external candidates	-.3885838	0.231	-.4274173	0.215	-.2716825	0.427
Headhunting	-.3249872	0.353	-.3281831	0.373	-.434616	0.222
Refer a friend program	-.1388939	0.625	-.1792015	0.541	-.0326061	0.908
Assessment Center internal candidates	.3611018	0.233	.2799895	0.387	.2622951	0.403
Assessment Center external candidates	-.4801453	0.160	-.5112813	0.166	-.8121311	0.029**
Personalized onboarding program	.2443975	0.297	.1973509	0.451	.1715061	0.494
Talent pools	-.4000778	0.222	-.3835881	0.307	-.3449411	0.335
Automated communications with talent pools via emails/texting	.47738	0.400	.507496	0.394	.8572348	0.152
Structured exit management	.3287432	0.282	.3561229	0.278	-.030902	0.925
Target setting	1.2913	0.026**	.925794	0.225	1.372303	0.066
Quantitative performance indicators	.2346549	0.397	.2869787	0.328	.3014728	0.288
Performance evaluation in several dimensions/categories	-.4916659	0.143	-.5399499	0.129	-.8138742	0.023**
Potential evaluations, structured and periodic	.1474921	0.690	.1815392	0.634	.210243	0.579
Management panels for performance evaluations	-.1058116	0.681	-.154874	0.576	-.263566	0.333
Management panels for promotions	.0601883	0.839	.0191834	0.951	.0791771	0.797
Recommended distribution of performance categories	.4701114	0.098*	.4939455	0.096	.5071549	0.075*
Forced distribution	-.8254613	0.073*	-.8692931	0.067*	-.8335877	0.066
360 degree feedback	.0979783	0.754	.0686231	0.836	.1991845	0.537
Variable pay components in general	.3252295	0.550	.5601821	0.365	-.0396858	0.950
Variable pay components on the basis of individual performance	-.4231089	0.249	-.4959891	0.199	-.3379457	0.393
Variable pay components on the basis of team performance	.4344887	0.101	.4407149	0.110	.4617061	0.083*
Variable pay components on the basis of company performance	-.360432	0.351	-.4518015	0.275	-.3861785	0.354
Variable benefits	-.0857042	0.739	-.1642547	0.549	-.3513894	0.195
Optional unpaid vacation sabbatical	-.0224516	0.937	-.019009	0.950	-.1019584	0.731
Competency model			-.1275149	0.660	-.2456204	0.373
Personalized development plans			.2064299	0.495	-.0203655	0.945
Employee portal for training and continuing education			.1368972	0.537	.0371273	0.867
Management training, external			.2983478	0.545	.0618844	0.898
Mid and long-term succession plans					.217107	0.540
Domino lists					.2200618	0.532
Probability assessment for turnover rates					.4587327	0.086
Personalized career paths					.599207	0.071*
Alternative career paths					.4593924	0.138
Requirements / potential alignments					.1634299	0.532

Model 1a=Recruiting Instruments

Model 1b=Recruiting, Performance Management Instruments

Model 1c=Recruiting, Performance Management, Compensation Instruments

Model 1d=Recruiting, Performance Management, Compensation, Skill and Competency Management Instruments

Model 1e=Recruiting, Performance Management, Compensation, Skill and Competency Management, Succession Management Instruments

Legend: P&lt;0,001:\*\*\*; p&lt;0,05:\*\*; p&lt;0,1:\*

**Table 4.** Results of regression analysis: Talent management processes (dependent variable: success of talent management).

	Variable code	Model 4a	
		Beta	P
Talent Infrastructure	Index3481012	.8857811	0.001***
Size Dummy 1	Groesse1	-.2608415	0.166
Size Dummy 2	Groesse2	.1003501	0.613
Size Dummy 3	Groesse3	.543855	0.053*
Size Dummy 4	Groesse4	.0375399	0.885
Industry Dummy 1	BrancheECP	-.5670589	0.276
Industry Dummy 1	BrancheMFM	-.3041089	0.567
Industry Dummy 2	BrancheESP	-.4289761	0.436
Industry Dummy 3	BrancheDL	-.253393	0.622
Recruiting			
Employees outside of recruiting regularly get involved in recruiting processes	stelbes_1	.042232	0.501
Even young very talented employees can obtain management positions in our company	stelbes_2	.1320555	0.110
In our company, we value working experience very highly when filling important managing positions	stelbes_3	.1546857	0.097*
There are always high numbers of internal applications when open positions are posted	stelbes_4	.0589841	0.499
Internal jobs are frequently filled with applicants who have been informally appointed in advance	stelbes_5	-.1575584	0.037**
Often those internal candidates are successful who prior had not been considered for this role	stelbes_6	.0739434	0.440
There are frequent cross divisional and cross functional transfers	stelbes_7	.1921245	0.016**
The capabilities of available internal candidates often influence the job design for open positions	stelbes_8	.1880938	0.016**
Performance management			
In case your organization has a competency model, is it used regularly and comprehensively	kommod_1		
The competency model is regularly updated	kommod_2		
The content of personnel development plans is mostly influenced by the employee himself/herself	einfent_ms		
The content of personnel development plans is mostly influenced by the direct superior	einfent_dv		
The content of personnel development plans is mostly influenced by HR	einfent_pb		
The potential of an employee finds strong consideration in the career planning process	berueck_1		
Compensation management			
The compensation package can be tailored individually based on employee preferences	comman_1		
More and more employees take advantage of this service	comman_2		
Employees with high potential are being compensated significantly higher than other employees	comman_3		
Skill and competency management			
The career development plans reflect the realistic professional objectives.	sukman_1		
Training and advanced training plans are seen as self-controllable by our employees.	sukman_2		
Our Skill and Competency Management considers the employees' personality.	sukman_3		
Development plans are being implemented with high probability	sukman_4		
The implementation of personal development plans is regularly supervised	sukman_5		
Succession management			
Cross-division or functional career paths are more often initiated through the employer than individual employees	initfuwe		
Global mobility assignments are more often initiated through the employer than individual employees	initausent		
The employees' personal objectives are strongly considered for their career development.	berueck_2		
The overall personality of an employee finds recognition in their career development	berueck_3		
The individual situation of each employee is considered when designing time and content of their job	berueck_4		
The company enables personalized career paths based on the employees' interest and life objectives	nukman_1		
Maternity leave, sabbaticals and other leave of absent is being considered in career management	nukman_2		
The use of flexible time-off policy obstructs a structured succession management	nukman_3		

Table 4. Continued.

	Model 4b		Model 4c	
	Beta	p	Beta	P
Talent Infrastructure	.9027067	0.002***	.9062525	0.004***
Size Dummy 1	-.1092416	0.620	-.2600979	0.339
Size Dummy 2	-.4535582	0.035**	-.4952078	0.046
Size Dummy 3	.2759887	0.453	-.3342114	0.547
Size Dummy 4	-.2384558	0.354	-.188159	0.501
Industry Dummy 1	-.4266642	0.369	-.2550171	0.626
Industry Dummy 1	-.0349108	0.941	.1492993	0.770
Industry Dummy 2	-.4114813	0.432	-.1074388	0.862
Industry Dummy 3	-.1042405	0.828	.0110698	0.983
Recruiting				
Employees outside of recruiting regularly get involved in recruiting processes	.0213284	0.744	-.0211687	0.790
Even young very talented employees can obtain management positions in our company	-.0344788	0.715	-.0263753	0.805
In our company, we value working experience very highly when filling important managing positions	.0558536	0.585	.0766429	0.548
There are always high numbers of internal applications when open positions are posted	.0423707	0.685	.0678299	0.592
Internal jobs are frequently filled with applicants who have been informally appointed in advance	-.1283875	0.074*	-.0725441	0.381
Often those internal candidates are successful who prior had not been considered for this role	.0284435	0.773	.1458616	0.239
There are frequent cross divisional and cross functional transfers	.0605978	0.499	.0269297	0.802
The capabilities of available internal candidates often influence the job design for open positions	.1886698	0.027*	.1624356	0.097*
Performance management				
In case your organization has a competency model, is it used regularly and comprehensively	.0086568	0.922	-.1268	0.276
The competency model is regularly updated	.0700618	0.391	.0771163	0.462
The content of personnel development plans is mostly influenced by the employee himself/herself	-.1249292	0.234	-.0188415	0.877
The content of personnel development plans is mostly influenced by the direct superior	-.1074201	0.388	-.2528966	0.116
The content of personnel development plans is mostly influenced by HR	.0936694	0.363	.1309224	0.270
The potential of an employee finds strong consideration in the career planning process	.3913051	0.006***	.477645	0.003***
Compensation management				
The compensation package can be tailored individually based on employee preferences			-.1796482	0.181
More and more employees take advantage of this service			.2070879	0.070*
Employees with high potential are being compensated significantly higher than other employees			.0482976	0.630
Skill and competency management				
The career development plans reflect the realistic professional objectives.				
Training and advanced training plans are seen as self-controllable by our employees.				
Our Skill and Competency Management considers the employees' personality.				
Development plans are being implemented with high probability				
The implementation of personal development plans is regularly supervised				
Succession management				
Cross-division or functional career paths are more often initiated through the employer than individual employees				
Global mobility assignments are more often initiated through the employer than individual employees				
The employees' personal objectives are strongly considered for their career development.				
The overall personality of an employee finds recognition in their career development				
The individual situation of each employee is considered when designing time and content of their job				
The company enables personalized career paths based on the employees' interest and life objectives				
Maternity leave, sabbaticals and other leave of absent is being considered in career management				
The use of flexible time-off policy obstructs a structured succession management				

Table 4. Continued.

	Model 4d		Model 4e	
	Beta	P	Beta	P
Talent Infrastructure	1.018326	0.002***	.7598152	0.087*
Size Dummy 1	-.2818806	0.296	-.3133407	0.461
Size Dummy 2	-.4363605	0.084	-.3402887	0.534
Size Dummy 3	-.2932539	0.614	-.1940033	0.790
Size Dummy 4	-.248198	0.427	.0678368	0.877
Industry Dummy 1	.1156808	0.841	.2017389	0.780
Industry Dummy 1	.5078372	0.370	.1857962	0.778
Industry Dummy 2	-.0009511	0.999	.0351826	0.969
Industry Dummy 3	.3155639	0.586	.1261902	0.853
Recruiting				
Employees outside of recruiting regularly get involved in recruiting processes	-.12622	0.174	-.0735535	0.649
Even young very talented employees can obtain management positions in our company	-.0810929	0.441	-.0498201	0.712
In our company, we value working experience very highly when filling important managing positions	.0732782	0.584	-.0154252	0.939
There are always high numbers of internal applications when open positions are posted	.0232421	0.860	-.0477897	0.811
Internal jobs are frequently filled with applicants who have been informally appointed in advance	-.0529715	0.526	.0520191	0.687
Often those internal candidates are successful who prior had not been considered for this role	.2333906	0.087	.1992869	0.392
There are frequent cross divisional and cross functional transfers	.0684533	0.517	.2939046	0.127
The capabilities of available internal candidates often influence the job design for open positions	.1132433	0.276	-.1108996	0.491
Performance management				
In case your organization has a competency model, is it used regularly and comprehensively	-.0639458	0.580	.1062855	0.546
The competency model is regularly updated	-.0428333	0.739	-.1714262	0.376
The content of personnel development plans is mostly influenced by the employee himself/herself	-.0558809	0.686	.1033929	0.643
The content of personnel development plans is mostly influenced by the direct superior	-.0842115	0.610	.145805	0.585
The content of personnel development plans is mostly influenced by HR	.1579854	0.224	.0110431	0.954
The potential of an employee finds strong consideration in the career planning process	.3409076	0.054*	.2952716	0.237
Compensation management				
The compensation package can be tailored individually based on employee preferences	-.0576357	0.686	.0132091	0.943
More and more employees take advantage of this service	.1048259	0.400	.0667341	0.712
Employees with high potential are being compensated significantly higher than other employees	-.0269372	0.796	.0486277	0.749
Skill and competency management				
The career development plans reflect the realistic professional objectives.	-.0984333	0.505	-.2056505	0.360
Training and advanced training plans are seen as self-controllable by our employees.	.2383684	0.057*	.2314655	0.202
Our Skill and Competency Management considers the employees' personality.	-.0304722	0.757	.0419856	0.803
Development plans are being implemented with high probability	.1836311	0.206	.2137193	0.273
The implementation of personal development plans is regularly supervised	.0258398	0.833	.1203227	0.592
Succession management				
Cross-division or functional career paths are more often initiated through the employer than individual employees			.0141818	0.898
Global mobility assignments are more often initiated through the employer than individual employees			-.108562	0.465
The employees' personal objectives are strongly considered for their career development.			.0278395	0.910
The overall personality of an employee finds recognition in their career development			-.0267703	0.886
The individual situation of each employee is considered when designing time and content of their job			-.2473398	0.268
The company enables personalized career paths based on the employees' interest and life objectives			.131001	0.398
Maternity leave, sabbaticals and other leave of absent is being considered in career management			-.0106393	0.939
The use of flexible time-off policy obstructs a structured succession management			.0020805	0.988

Model 1a=Recruiting processes

Model 1b=Recruiting, Performance Management processes

Model 1c=Recruiting, Performance Management, Compensation processes

Model 1d=Recruiting, Performance Management, Compensation, Skill and Competency Management processes

Model 1e=Recruiting, Performance Management, Compensation, Skill and Competency Management, Succession Management processes

Legend: P&lt;0,001:\*\*\*; p&lt;0,05:\*\*; p&lt;0,1:\*

## 7. Discussion

The key finding of this study is that talent management is given high business relevance by talent managers and HR professionals in Germany despite the crisis of 2009. A the

same time, HR professionals seem to prefer traditional talent management instruments over innovative processes and procedures which appear to be more successful as measured by expert assessment and objective criteria. Talent managers indeed rate the importance of talent

management as high or very high, and talent management practice in German organizations is deemed more important than before (and increasing). This is not surprising, given that talent management is rated as one of the pivotal levers for organizations to generate competitive advantages. The study therefore points to an important paradox of talent management: While best practice of talent management is often known, many organizations still rely on traditional instruments which appear to provide less benefit.

As a result, despite the deemed high importance, the talent infrastructure is often weak and - as a result of low levels of success measurement - often the wrong instruments and procedures are being applied. These findings are relevant given the low performance of talent management in many organizations in Germany and the apparent insecurity of talent managers to implement required measures (Moser & Saxer, 2008). The findings also confirm previous findings that there is not enough evidence based research on talent management available, and that clear success factors of talent management are not reliably identified and understood (Tarique & Schuler, 2010).

The results support the hypothesis that talent management should be a leadership rather than an HR activity (Moser & Saxer, 2008). Leadership will be more likely to manage the shift in the talent management paradigm required to increase high regard for its actual success factors. At the same time, in practice many leaders take this task not seriously enough to be successful and often also don't have sufficient knowledge about people behavior.

This study builds on existing theories of talent management and supports the criticism of McKinsey style, selection oriented talent process in favor of development oriented talent management instruments and procedures (Collings & Mellahi, 2009).

Besides providing evidence for the lack of good talent management in German organizations, the study implies cultural reasons for the preference of traditional talent management in Germany.

#### *Talent management still not well understood*

Whereas drivers of the high interest in talent management are increased challenges facing companies in attraction, retention, allocation, and motivation of key personnel, the ineffectiveness and discontent can be explained at least partially with the widespread confusion about talent management both in practice and in research (Lewis & Heckman, 2006; Collings & Mellahi, 2009). Many companies still appear to be unclear about the effects and clear benefits of talent management. There is often a lack of available data to identify and measure relevant developments including effects of the demographic change with an expected scarcity of talents in the short and midterm, the very different economic context in which companies make their mid and long-term personnel demand forecasting, as well as what really differentiates (if any) generation X and Y entering the workforce. It is also

surprising that despite the current internal and external pressures there is still a widespread lack of clear objectives and strategic orientation despite the large pressure to produce qualified talent management output and results.

Lewis and Heckman (Lewis & Heckman, 2006) were among the first to lament the lack of clarity in defining talent management, and many organizations today still appear to be unclear about the benefits and effects of talent management. They largely follow the workforce segmentation approach to talent management, which is based on identifying current and future A-players in the organizations and trying to attract, retain and develop them. This view was initially claimed by McKinsey consultants who were directly benefiting from consulting projects offering talent management solutions. Their line of thought links the rise of talent management mostly to demands from the business for the need of qualified labor as well as increased HR efficiency (Ulrich, 2002). As a result, the main driver for the increased interest in talent management is its expected business value. According to this line of thought, HR professionals should therefore be guided by serving business objectives and less by the younger generation's personal growth and career aspirations. This 'efficiency hypothesis' also links the early HR transformation argument (Ulrich, 2002) that was synthesized by Jäger (2009) and the hybrid personnel strategy argument. Jäger (2008) argues that modern HR management is driven by increasing efficiencies (driven by Ulrich's three tiered model of HR service centers, Centers of Excellence and Business Partners) combined with the development of an HR value proposition from a business perspective. Collings & Mellahi (2009) emphasize the strategic element in talent management and linking it to strategic decision making. Furthermore, the authors make a comprehensive effort to further define talent management and propose a model for measuring the effects of talent management. Against this background, the development of talent management instruments and processes has largely been guided by expectations for increased efficiencies, i.e. in post merger integrations, restructurings, or organization's growth strategies.

Driven by these demands from the business, HR tends to neglect the 'development argument', i.e. the perspective of the employee who is increasingly interested in opportunities for personal development. Many younger employees entering the workforce demand more transparent and development-oriented tools and processes which are currently largely not applied due to the excessive business orientation of HR. Our findings therefore confirm largely the arguments of the 'critical' talent management research, who criticize the focus on A-players in talent management (Tarique & Schuler, 2010; McDonnell et al 2010). However, there are very few to no studies discussing the effectiveness of specific talent instruments and processes from a people perspective.

#### *High importance but weak infrastructure*

The results show that in many cases companies have begun to design talent management strategies, which

include specific activities in the areas of job design, performance management, learning & development, rewards and career/succession management, with differing levels of breadth, structure, and integration with the overall business strategy. However, due to the weak infrastructure there is no best practice tool set in organizations and companies often use in-house solutions or fragmented processes or limit their activities to specific target groups. As a result, talent management processes developed highly heterogeneously, often as in-house solutions with little or no IT support, external benchmarking and use of metrics. In many areas, this situation was amplified by the recession of 2008 with increased cost pressures often directed towards HR. As a result, the opportunities under which companies design and implement talent solutions varied widely and systems and processes are often further reduced. While this context frequently leads to business and cost oriented solutions, such processes often sufficiently lack the employee perspective and latest psychological research on organizational behavior and motivation theory (Moser & Saxer, 2008; Jäger 2008). In few companies, talent management developed into the type of new core HR process, in many companies the topic received little or no top management attention, and the talent infrastructure in many companies (IT, metrics, benchmarks) remains very weak. Recently, increasing challenges to acquire, retain and develop key talents have strengthened the role of talent management in many organizations which is also reflected by the high interest in the present study.

A good example of the combination of development and efficiency emphasis is the increasing importance of internal job boards, which are often seen as internal development opportunities. Here, employees can apply even if cross-division and often without involving their superiors wide on vacancies. This is often in line with the employees' desire for personalized developmental pathways, and is also better for the company as enterprise-wide fluctuations in supply and demand can be offset and delays and costs through external recruitment can be avoided. This argument hints at the possibility that development and efficiency hypotheses are not conflicting explanations for good talent management. Often, the mobilization of the internal labor market is also less expensive than external recruiting, especially when combined with internal trainings and cross functional mobility. Cappelli (2008) provides many examples of the convergence of development and efficiency arguments. However there are limits to this convergence: Individual freedom of choice and organizational requirements must be negotiated to find an organizational and individual optimum. As an example, it can sometimes be cheaper to buy externally if internal training cost and personal/family benefits are calculated in. Therefore, it overall appears that in the field of talent management there remains large room for quality improvements.

#### *Success factors not consistently applied*

Our results show that success critical instruments are not

sufficiently applied in German organizations. It appears that the practice of talent management in most organizations is a mix of the normative and critical schools of thought. However the results shows that development oriented instruments such as potential, personal objectives and alternative career paths are more successful than a pure business orientation of talent management. The results therefore confirm the 'critical' view of talent management which emerged in parallel to the McKinsey school of thought (Tarique and Schuler; 2009).

The second line of thought links the rise of talent management to demands from the labor force. According to this line of thought, organizations should offer talent management programs in response to an increasing demand from younger-generation professionals for meaningful work, work/life balance, fairness and transparency in organizations. According to this hypothesis, talent management owes its rise to a change in values by new generations of professionals with implications on how organizations manage human capital internally, from recruiting to performance management, appraisal and compensation processes. This hypothesis, labeled here as value hypothesis, is based on the development argument of talent management (Tarique and Schuler, 2009; Beechler and Woodward, 2009). According to this view, the rise of talent management is due to a primarily demand-based change in expectations of younger-generation professionals who demand higher levels of transparency, a higher level of work/life balance, career options that are attractive and motivating to them, and argues that this is the major cause of talent management. This view on the rise of talent management is largely based on Richard Florida (2005) and others' (Deloitte Research study on change in values) description of generational changes (XY generation) and has been picked up by modern HR management as motivator's dilemma (Losey, Ulrich, Meisinger, 2003).

Meyer, Kirby (2010) have linked this line of thought to the increased desire to create transparency which spills over to many life venues. According to this line of thought, the rise of talent management is based on the fact that many young people have different expectations about their career lives including the expectation to find a better work/life balance and do meaningful work. Transparency in business is considered to be one of the major influences on business in the coming years. Closely connected to transparency in talent management decisions is the concept of interactional and procedural fairness. A wide range of empirical evidence adds especially these two fairness ideas to the list of important issues of modern and future HR management. Pfeffer (2001) responded to McKinsey's approach by restating Deming's theory that the attributes of the system in which the person works need to be improved in order to increase talent output. He also emphasized the importance of teamwork, claiming that the overemphasis on the individual talent hurts organizational effectiveness.

In sum, German organizations are often not responding



well enough to the increasing pressures on their talent management programs in responding to the wide range of requirements, and are in practice applying effective programs. Also, executives and employees often rate the talent management in German organizations as insufficient and actual metrics also point to a quality deficit. Despite its high importance rating, there is not a good infrastructure and effective instruments are not used often enough, not enough differentiation possible, not enough alternatives, not enough potential assessments and not enough differentiation possible (H2), not enough openness and flexibility (H3) and other sustainable factors of a successful talent management. Openness and flexibility accommodate motivation requirements and are, from fairness research studies, also known to be important factors.

In contrast, the identified success factors indicate that the many successful talent instruments are strongly linked to the development argument. This is particularly significant in light of the differentiating recruiting tools, the talent pool self-application, as well as the strong significance of the internal job market, as shows in the graphic below.

*People strategies in many organizations weak or not existing*

A further possible explanation for bad talent management in practice is, that the underlying people theory is wrong. Mostly, talent management refers to recruitment and development of A-Performers (Collings & Mellahi; 2009) and the implication is that there are critical workforce segments who contribute disproportionately higher to company success compared to other employees. As a result, many organizations don't use success critical instruments and processes but rather focus on the wrong instruments and processes. Also, in many organizations, there is a large insecurity about the right approach to talent management with the result of conflicting approaches. Discussions are very dogmatic and talent management is often not managed well, due to a lack of orientation and use of best practice. Generally, the focus is too much on performance rather than potential and development, on hierarchy rather than enabling communication and exchange of ideas.

Our results therefore lead to the conclusion that the development argument used by the critics of the McKinsey approach to talent management is correct (Tarique and Schuler, 2009; Beechler and Woodward, 2009). In light of the current lines of thoughts on talent management the study therefore offers support for the critical view of the McKinsey approach. It seems, organizations focus too much on middle managers and upwards, as talent activities are associated with internal costs and often don't immediately pay-off. In addition, most managers don't seem to pay too much attention to a rigid execution of talent management processes further impeding the quality. Finally, the widespread use of talent instruments used specifically for the administration, control or resource planning of talents indicates that talent management in most organization further shows the short term cost/benefit orientation of talent management. As a results, even though

the importance of talent management has reached the mind of the people in charge of HR, nowadays talent management is still perceived as a tool, which first of all has to be efficient. This way, the complexity and long-term orientation that are necessary to face current and future labor challenges are easily overlooked. However, instead of applying the success factors and bringing HR into the driver seat of corporate development, it applies a very traditional HR model.

This finding is relevant as it delivers a plausible explanation why talent management does often not lead to the expected success and also links the lack of success to the use of instruments. This study not only provides an overview over the current research, it also identifies the weakness of talent management and thus contributes to the overall improvement of talent management performance in German organizations. Furthermore, it provides an answer to the question whether the increased importance is driven by the requirements from the workforce or by the business demands. Our results show that the success-critical instruments and procedures are not used consequentially and that talent managers seem to rely on rather traditional instruments and processes.

Overall, the success factors identified such as increased levels of transparency should be implemented in such as a way to create win/win scenarios serving both organizational and individual benefits: Where employees have a clean and transparent perspective on career opportunities they are more likely to do what is expected of them and in return companies can better calculate with stable or improved performance levels and less fluctuation. Further research will determine a more conclusive relationship for specific talent management processes and procedures.

Hier das noch weiter erklären, kann ich (was sind die deficiencies in Deutschland)

## 8. Summary of Results

- Despite the high significance of talent management, the appropriate infrastructure often is relatively weak (in terms of performance measurement, IT support, established external benchmarks)
- Human resource managers often assess the impact of tools differently than what was found as actual effectiveness of consistent success on the talent management company as a whole.
- Often the most effective tools are relatively little used. Examples are:
  - Use of structured exit management
  - Recommended distribution of performance levels
  - Use of management panels
  - Options to choose "alternative" career paths (i.e. expert or project-specialized career)
  - Personalized career plans
- Managers should take their responsibility for talent management more seriously, as especially their participation is of paramount importance for the success.

In summary, the openness and transparency of the system seem to be advantageous. Many scholars and practitioners have been emphasizing the need for more development-oriented talent activities including career autonomy in combination with employee-centered career paths and application processes for quite some time (i.e. Jäger 2008; Capelli 2008; Benko 2008). The present study confirms these claims.

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