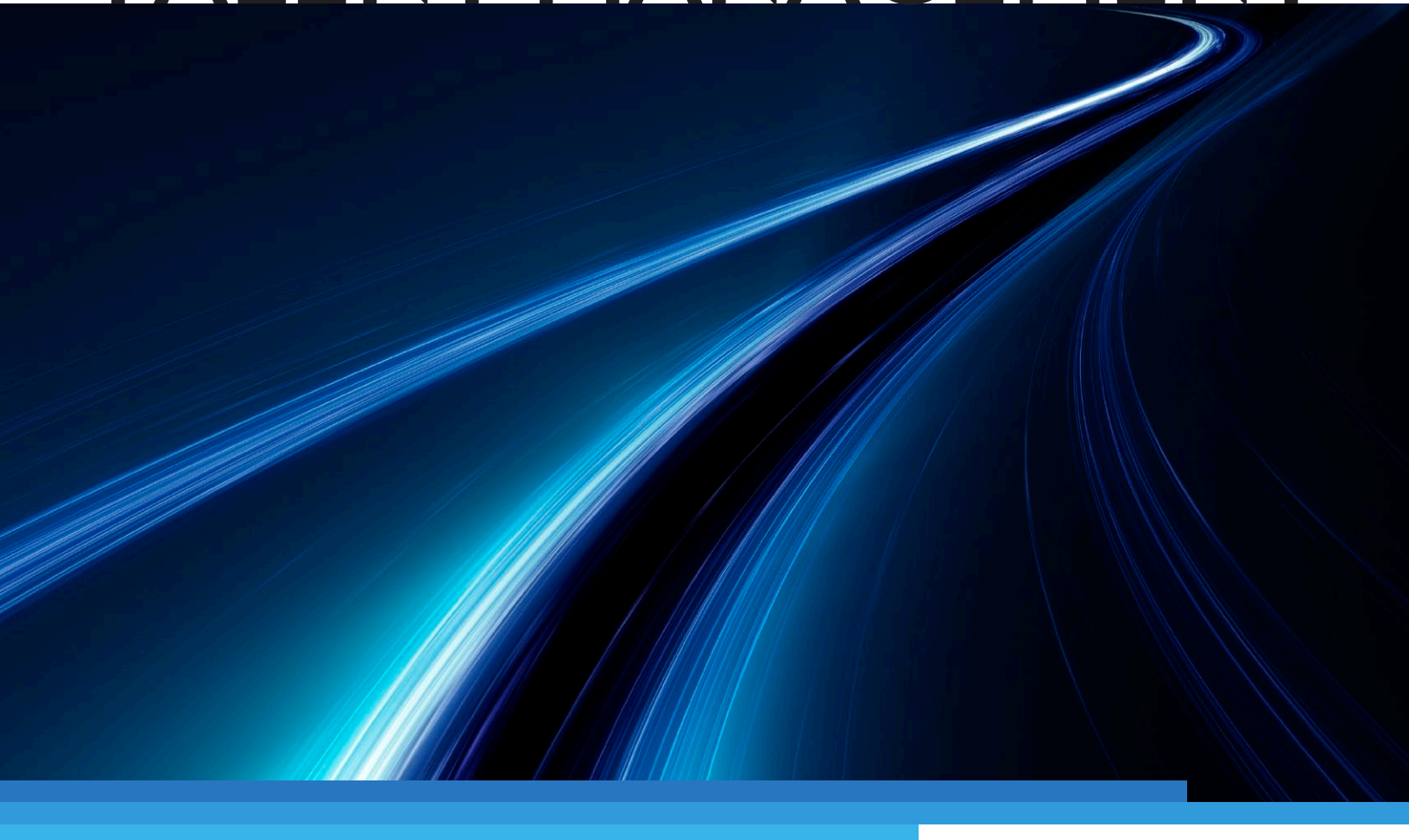


PMI's

PULSE OF THE PROFESSION **IN-DEPTH REPORT**

THE COMPETITIVE ADVANTAGE OF **EFFECTIVE**
TALENT MANAGEMENT



TALENT MANAGEMENT IS A DRIVER OF ORGANIZATIONAL SUCCESS

As revealed by PMI's 2013 *Pulse of the Profession™*, an organization's ability to meet project goals, timelines, and budgets significantly impacts its ability to thrive. While the imperative to improve project management success is evident, organizations are faced with various constraints:

- A “do more with less” economic climate
- Expanding global priorities
- Necessity to enable innovation

Despite existing constraints, there are lessons that can be gleaned from high-performing organizations and their approaches to project, program, and portfolio management. PMI's 2013 *Pulse of the Profession™* highlights two activities that bolster organizations' project success rates:

- Alignment of project management to organizational strategy
- Cultivating project management talent

Yet, despite the promise of project success, organizations are currently not placing adequate emphasis on these activities. In a climate of economic uncertainty, growing global priorities, and an increasing necessity to enable innovation, activities that support organizational success should not be overlooked.

PMI's *Pulse of the Profession™ In-Depth Report: Talent Management* explores the link between alignment of talent management strategy to project management performance and organizational success. It reveals that high-performing organizations are more than twice as likely than low-performing organizations (69 percent and 31 percent) to have talent management programs aligned to organizational strategy.

Alignment of talent management to organizational strategy has tangible benefits, including:

- Greater project success rates
- Fewer dollars at risk

In particular, the reduction of risk that can be attributed to significant or good alignment of talent management to organizational strategy is eye-opening — organizations that do it well risk 50% fewer dollars on their projects.

High performing organizations are more than twice as likely as their low performing counterparts to align talent management to organization strategy — **a significant competitive advantage.**

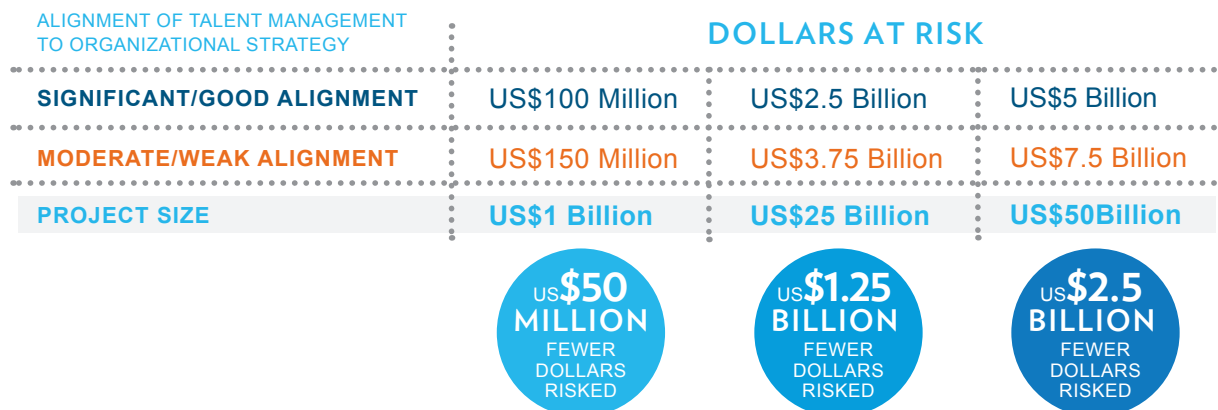


Figure 1. Project dollars at risk in organizations by level of alignment of talent management to organizational strategy.

TODAY'S ENVIRONMENT DEMANDS IMPROVED TALENT MANAGEMENT

As reported by PMI's *Project Management Talent Gap Report*, between 2010 and 2020, 15.7 million new project management roles will be created globally across seven project-intensive industries. Along with this significant job growth will be a momentous growth in the economic footprint of the profession, which is slated to grow by US\$6.61 trillion. While these figures are impressive, if organizational leadership fails to equip employees with the skillsets required to fill future project management roles, US\$344.08 billion in GDP will be at risk.

As a result, CEOs are shifting their attention to human capital and talent management activities¹:

- **CEOs agree that human capital is the number one challenge globally²**
- **71 percent of CEOs see human capital as a key source of sustained economic value³**
- **77 percent of global CEOs anticipate making changes to their talent management strategies, with 23 percent planning major changes⁴**

Despite the shifted attention to human capital and talent management by their CEOs, many organizations have already begun to experience the adverse effects of this talent gap. Inability to fill these positions has led to:

- 31%** Decreased product or service delivery quality
- 29%** Difficulty innovating effectively
- 27%** Cancelled or delayed key strategic initiatives
- 25%** Inability to achieve growth forecasts
- 20%** Inability to pursue a market opportunity

Three critical project management skillsets needed for successful projects are technical project management skills, leadership skills, and strategic and business management skills. Two in three organizations (66 percent) found the greatest difficulty in finding resources with adequate technical project management skills. However, many organizations (over 90 percent) believe that technical project management skills and strategic and business management skills are teachable, and as such, are likely to search for talent with good leadership skills whose technical project management and strategic and business management skills can be honed through training.



Figure 2. The new triple constraint of project management skills.

¹ The Conference Board's CEO Challenge 2013

² The Conference Board's CEO Challenge 2013

³ IBM's 2012 Global CEO Study

⁴ PwC's 16th Annual Global CEO Survey (2010)

Training and career development, recruiting, and hiring contractors all constitute talent management activities that can help organizations increase project management performance. Yet, what is crucial to talent management efficacy is its close ties to organizational strategy. Unfortunately, only 45 percent of organizations have “significant” or “good” alignment of talent management programs to organizational strategy, indicating that 55 percent of organizations must still take lengths to improve the efficacy of their talent management programs (as referenced in Figure 3).

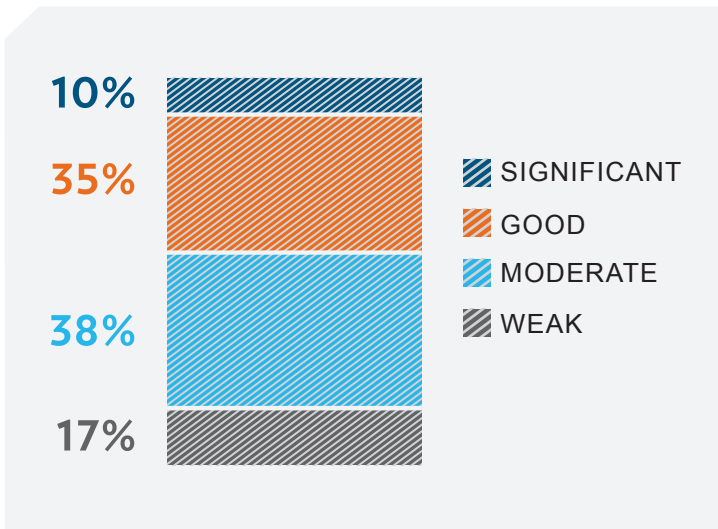


Figure 3. Organizations’ level of alignment between talent management and organizational strategy.

HOW TALENT MANAGEMENT AFFECTS ORGANIZATIONAL SUCCESS

INCREASED SUCCESS = REDUCED RISK

The level of talent management alignment to organizational strategy has a clear impact on the success of projects meeting their original goals and business intent. Organizations in which talent management is aligned to organizational strategy have an average project success rate of 72 percent, while organizations in which talent management is not effectively aligned to organizational strategy have an average project success rate of 58 percent. The difference of 14 percentage points in project success rates equates to risking 50 percent more project dollars when talent management is not effectively aligned with strategy.

FINANCIAL BENEFIT OF ALIGNING TALENT MANAGEMENT TO ORGANIZATIONAL STRATEGY

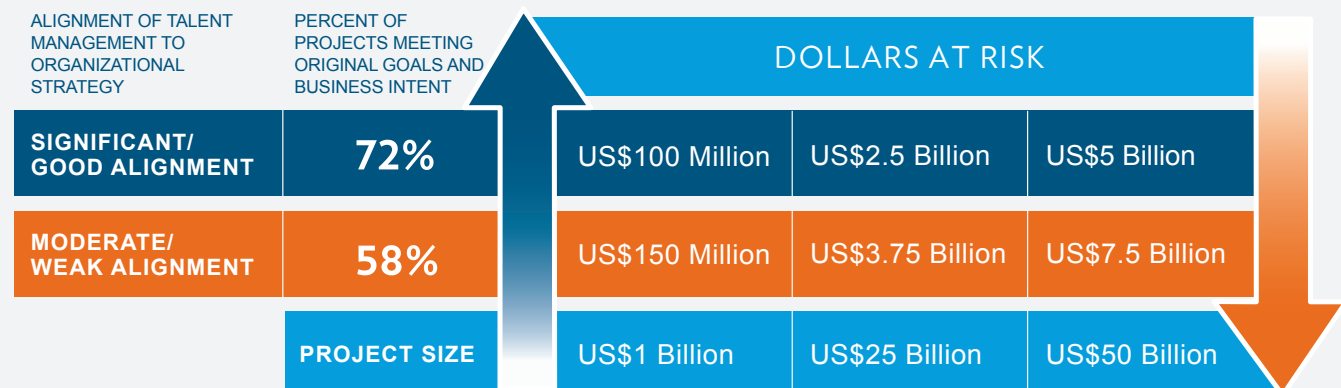


Figure 4. Project dollars at risk decrease as the alignment of talent management to organizational strategy increases.

ADDITIONAL ORGANIZATIONAL BENEFITS

Organizations that have successfully aligned talent management to organizational strategy reap additional benefits – they are much more likely to be successful at:

1 MEETING COMMON TALENT CHALLENGES



- Engaging people to deliver organizational goals
- Developing high performance teams
- Managing talent through change

2 IMPLEMENTING CAREER PATHS



- Managing performance effectively
- Developing high potential individuals
- Selecting best talent for internal promotions
- Succession planning
- Career progression from new hire to advanced project manager
- Career progression from advanced project manager to senior project manager
- Career progression from senior project manager to senior management

3 REDUCING COMMUNICATION CHALLENGES



- Communication across disciplines
- Communication across age cohorts

4 EFFECTIVELY FILLING OPEN POSITIONS AND MANAGING CONTRACTORS



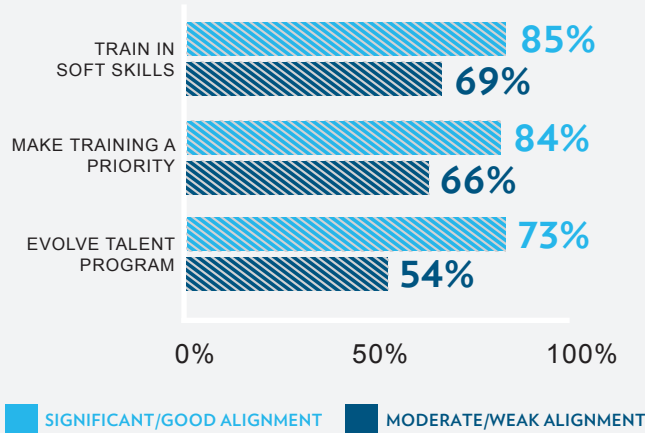
- Identifying high potential employees
- Assessing best talent to join the organization
- Finding talent externally
- Success with contractors

ORGANIZATIONS WITH EFFECTIVE ALIGNMENT OF TALENT MANAGEMENT TO ORGANIZATIONAL STRATEGY CONDUCT TALENT MANAGEMENT DIFFERENTLY

Organizations with significant or good alignment of talent management to organizational strategy are much more likely than other organizations to have key talent management practices in place:

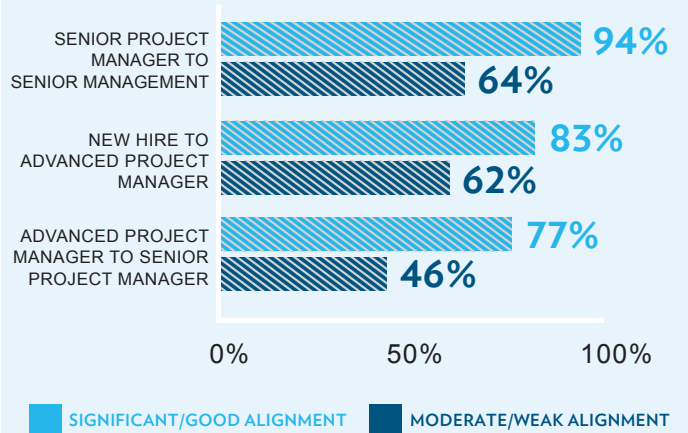
1 ARE MORE LIKELY TO HAVE VARIOUS TALENT MANAGEMENT OFFERINGS

They are more likely to offer employees multiple forms of talent management offering. In particular, organizations with significant or good alignment are more likely to have talent management programs around training and development.



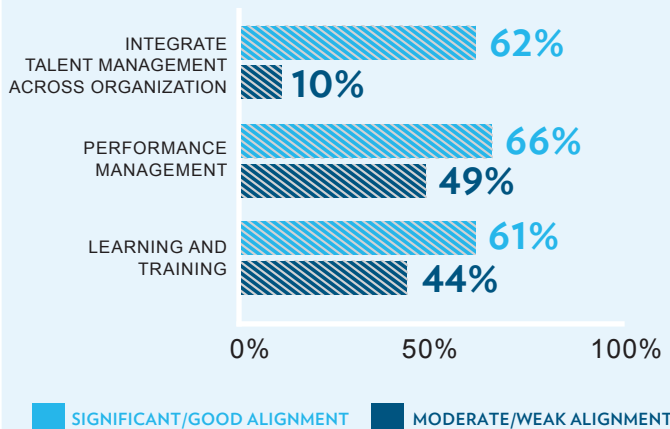
2 ARE MORE LIKELY TO HAVE CAREER PATHS FOR PROJECT MANAGER EMPLOYEES

They are more likely to have multiple project management career paths: one which retains project managers and one which elevates those with business acumen to higher levels of the organization.



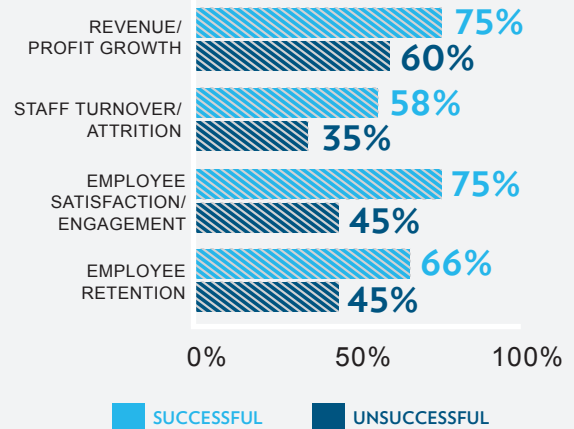
3 HAVE INTEGRATED TALENT MANAGEMENT ACROSS THE ORGANIZATION

They are more likely to integrate Talent Management across their organization using various methods, including performance management, learning and training, leadership development, and recognition rewards.



4 MEASURE TALENT MANAGEMENT OUTCOMES

They are more likely to measure both financial and non-financial Talent Management outcomes that affect an organizations' ability to remain strategically aligned with organizational goals and values.



THE WAY FORWARD

Despite the job growth in the project management profession, a gap still exists in the number of professionals fully prepared to lead and manage projects. This talent gap is negatively impacting the growth and profitability of organizations. Quality, innovation, strategic projects, and market opportunities have all been adversely affected by that talent scarcity.

To ensure success, organizations need to both recruit smartly and align their people strategically.

An effective approach organizations can take is recruiting potential project managers with strong leadership skills whose technical skills and strategic and business management skills can be enhanced through training.

Most would agree that smart investments are those that are aligned with the organization's strategies. However, few organizations have significant alignment of their talent management programs to organizational strategy. High-performing organizations understand the value of aligning talent management to organizational strategy and are already realizing these benefits:

- **Greater project success rates**
- **Fewer project dollars at risk**



Figure 4. Factors contributing to the competitive advantage of talent management.

Organizations with strong alignment of their talent management programs to strategy are focusing their efforts on:

- Prioritizing and evolving talent management offerings
- Clearly defining career paths
- Integrating talent management programs across the organization
- Measuring talent-related outcomes

Aligning talent management to organizational strategy may create the **competitive advantage** required to sustain and grow an organization.

ABOUT PMI'S *PULSE OF THE PROFESSION™ IN-DEPTH REPORT: TALENT MANAGEMENT*

PMI's *Pulse of the Profession™ In-Depth Report: Talent Management* research was conducted in January 2013 among 277 project, program, and portfolio management directors, managers, and practitioners who make or strongly influence hiring decisions for project, program and portfolio managers for their organization or who design and/or administer their organization's talent management program.



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