Impact of Talent Management Practices on Hospital Performance Metrics

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Healthcare Human Resources Management Association of California
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Introduction

Associate Professor of Management
- MBA courses in management, organization design/development, and leadership systems
- Denney Chair (2013-2015)
  - Healthcare talent management practices

President, Groves Consulting Group
- Succession planning and talent management practices
- Leadership assessment, development, and retention systems
Presentation Preview

• Business case for talent management in healthcare organizations
• Multi-phased, longitudinal research program
• Key national benchmarking study findings
• Potential applications for your hospital or health system
• Next steps with research program
Why Study Talent Management Practices in Healthcare Organizations?

• Demographic, marketplace, legislative, & financial challenges
  – ‘5/50 crisis’
  – Comparatively short hospital CEO median tenure (4 years)
  – Lack of sustained investment in talent management
  – Rapidly increasing costs and pressure on HR to demonstrate value
  – Healthcare reform, reimbursement degradation, and ACOs
  – Increasing emphasis on value- versus volume-based performance metrics
Healthcare Talent Management Research Program

**Phase I: Model Development**
- Interviews with hospital/health system CEOs
- Qualitative studies of health systems with exemplary TM outcomes
- *Healthcare Success Factors* model

**Phase II: Model Validation**
- Validation of the *Healthcare Success Factors* model
- National study of clinical, financial, and workforce performance outcomes

**Phase III: Model Application**
- Application of *Success Factors* across hospital organizations
- Illustration of *Success Factors* via case studies and engagements
Your Talent Management Challenges

1. Along with the colleagues at your table, discuss your hospital or health system’s critical challenges across the following talent management processes:
   - Attracting/Acquiring Leadership Talent
   - Identifying/Assessing Leadership Talent
   - Developing Leadership Talent
   - Retaining Leadership Talent

2. How is your hospital or health system currently addressing these challenges with specific strategies, practices, or policies?

Time: 15 minutes
Phase I: Developing a Model of Healthcare Talent Management

1. Top Management Team Support
2. Performance Management Processes
3. Talent Assessment Practices
4. Leadership Development Culture
5. Pay and Evaluation Practices
6. Onboarding Practices

Top Management Team Support

Strategic Priorities

Workforce Demographics

Diversity Initiatives

Critical Outcomes
- Establish the business case
- Align board support
- View TM as strategic lever
Performance Management Processes

Objective Appraisal Processes

Consistent Utilization & Calibration

User-Friendly Platform

Performance Management Processes

Critical Outcomes
- Strong perceptions of system equity/fairness
- High hospital utilization rates and calibration of scores
Talent Assessment Practices

High Potential Definition

Talent Review Sessions

Formal Assessment Tools

Critical Outcomes
- Clear performance and potential distinction
- Cooperative, non-politicized talent review sessions
- System-wide view of talent
Leadership Development Culture

Training for Hi-Po Discussions

Targeted & Strategic Development

Stretch Roles

Leadership Development Culture

Critical Outcomes
- Clear communication of high potential status
- Strong perceptions of TM process transparency
- Tolerance for failure

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Pay & Evaluation Practices

Incentive Alignment

Board Engagement

Evaluation Metrics

Critical Outcomes
- Scorecard alignment
- Strong management support of TM practices across levels
- Disciplined tracking and communicating ROI metrics
Onboarding Practices

Mission Distinction

Clinical and Executive Tracks

Internal & External Candidates

Critical Outcomes
- Enhance time-to-productivity
- Reduce first-year turnover
- Drive higher engagement

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Phase II: Validating the Healthcare Success Factors Model

Healthcare Talent Management Survey 2012

Survey goals

1. Assess utilization of Healthcare Success Factors
2. Assess impact of Healthcare Success Factors on performance metrics
3. Identify exemplary policies, strategies, and practices.

Survey Design

**Top Management Team Support** (4 items; $\alpha = .85$)
- The senior leadership team describes talent management as a strategic priority
- The senior leadership team supports the integration of talent management practices into our operations

**Performance Management Practices** (3 items; $\alpha = .83$)
- Performance appraisal practices incentivize managers to support talent management practices
- The performance management system is executed consistently across our network of hospitals.

**Talent Assessment Practices** (4 items; $\alpha = .90$)
- Formal assessments (e.g., nine-box tools) are utilized to plot employees in key positions according to job performance and leadership potential
- Talent review sessions are characterized by authentic, non-politicized dialogue
Survey Design

**Leadership Development Culture** (6 items; $\alpha = .87$)

- Our organizational culture encourages managers to ‘release’ high potential employees for developmental assignments elsewhere in the organization
- Managers are formally trained to communicate high potential designations to employees.

**Onboarding Practices** (2 items; $\alpha = .92$)

- Managers hired from outside our organization complete an on-boarding program
- Managers promoted into key positions or roles that are new to our organization complete an on-boarding program

**Pay & Evaluation Practices** (3 items; $\alpha = .83$)

- The incentive pay structure for our senior leadership team incentivizes support for talent management practices
- Our organization utilizes metrics and ROI analyses to evaluate the effectiveness of our talent management practices
## Hospital Performance Metrics

<table>
<thead>
<tr>
<th>Metric</th>
<th>Calculation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Employee Productivity</strong></td>
<td>Net Revenue/FTEs</td>
</tr>
<tr>
<td><strong>Patient Satisfaction</strong></td>
<td>Mean % of patients reporting top box on HCAHPS Survey</td>
</tr>
<tr>
<td>▪ Clinical Communication (4 items)</td>
<td>▪ Clinical Responsiveness (2 items)</td>
</tr>
<tr>
<td>▪ Facility Quality (2 items)</td>
<td>▪ Hospital Recommendation (1 item)</td>
</tr>
<tr>
<td>▪ Overall hospital rating (1 item)</td>
<td></td>
</tr>
</tbody>
</table>
## Workforce Performance Metrics

<table>
<thead>
<tr>
<th>Metric</th>
<th>Calculation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Employee Turnover</strong></td>
<td>Percentage of Annual Turnover: Nurses &amp; Management</td>
</tr>
<tr>
<td><strong>External Talent Sourcing</strong></td>
<td>Percentage of Open Executive Positions Filled by External Candidates</td>
</tr>
<tr>
<td><strong>Leader Benchstrength</strong></td>
<td>Percentage of Key Leadership Roles with at least Two ‘Ready Now’ Candidates</td>
</tr>
<tr>
<td><strong>Executive Searches</strong></td>
<td>Total Number of Executive Searches</td>
</tr>
<tr>
<td><strong>Executive Search Costs</strong></td>
<td>Total Estimated Fees for Executive Searches</td>
</tr>
<tr>
<td><strong>Leader Gender Diversity</strong></td>
<td>Percentage of All Executive Positions (Vice-Presidents &amp; above) Occupied by Women</td>
</tr>
<tr>
<td><strong>Leader Ethnicity Diversity</strong></td>
<td>Percentage of All Executive Positions (Vice-Presidents &amp; above) Occupied by Ethnic Minorities</td>
</tr>
</tbody>
</table>
Sampling Strategy

• Target senior HR executives at national and regional health systems

• Sample specification
  – Partnership with Witt/Kieffer
  – *Modern Healthcare*’s top 200 largest systems by annual revenue and top 200 integrated health systems

• Response rate (Spring 2012)
  – 142 executives of 366 valid email addresses (38.8%)
Sample Characteristics

<table>
<thead>
<tr>
<th>Hospital Organizations</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Community Hospital (5%)</td>
<td>17</td>
</tr>
<tr>
<td>Health System (80%)</td>
<td>32</td>
</tr>
<tr>
<td>Academic Medical Center (12%)</td>
<td>7</td>
</tr>
<tr>
<td>Children's Hospital (2%)</td>
<td></td>
</tr>
<tr>
<td>Specialty Hospital (1%)</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>113</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean/Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>FTEs</td>
<td>18,811</td>
</tr>
<tr>
<td>Net Revenue</td>
<td>$3.70B</td>
</tr>
<tr>
<td>Number of Hospitals</td>
<td>8.87</td>
</tr>
<tr>
<td>Number of Licensed Beds</td>
<td>1829</td>
</tr>
<tr>
<td>Profit Status</td>
<td>49% For-Profit (n = 70) 51% Non-Profit (n = 72)</td>
</tr>
<tr>
<td>Public Status</td>
<td>76% Private (n = 108) 18% Public (n = 26) 6% Government (n = 8)</td>
</tr>
</tbody>
</table>

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Utilization of Healthcare Success Factors

- **Onboarding**: 36% Always, 29% Usually, 22% Sometimes, 9% Rarely, 4% Not at All
- **Pay Practices**: 30% Always, 29% Usually, 20% Sometimes, 13% Rarely, 1% Not at All
- **Leadership Development Culture**: 46% Always, 29% Usually, 13% Sometimes, 11% Rarely, 1% Not at All
- **Talent Assessment**: 34% Always, 36% Usually, 13% Sometimes, 11% Rarely, 1% Not at All
- **Performance Management**: 39% Always, 49% Usually, 13% Sometimes, 7% Rarely, 4% Not at All
- **TMT Support**: 36% Always, 50% Usually, 16% Sometimes, 7% Rarely, 6% Not at All

Legend:
- Blue: Always
- Purple: Usually
- Green: Sometimes
- Red: Rarely
- Blue: Not at All

Lowest 50%:
- Onboarding: 4% Not at All
- Pay Practices: 1% Not at All

Highest 66%:
- TMT Support: 50% Usually

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Utilization of Top Management Team Support

The senior leadership team supports the integration of talent management practices into our operations.

The senior leadership team communicates a sense of urgency for investing in talent management practices.

The senior leadership team actively participates in the talent management process.

The senior leadership team describes talent management as a strategic priority.

Lowest

Always  Usually  Sometimes  Rarely  Not at All

0%  10%  20%  30%  40%  50%  60%

Always  Usually  Sometimes  Rarely  Not at All

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Utilization of Performance Management Processes

Performance appraisal processes for key positions are based on objective job performance outcomes

The performance management system is deemed credible by employees in key positions

The performance management system is deemed credible by managers across our organization

- Always
- Usually
- Sometimes
- Rarely
- Not at All

Always
Usually
Sometimes
Rarely
Not at All

0% 10% 20% 30% 40% 50% 60%

0%
0%
18%
32%
50%

7%
10%
32%
53%

2%
10%
36%
54%

2%
2%
2%
2%
Utilization of Talent Assessment Practices

High potential employees are identified in the context of our organization's strategic priorities

Talent review sessions are characterized by authentic, non-politicized dialogue

Talent review sessions consist of cooperative and collaborative decision-making

Formal assessments (e.g., nine-box tools) are utilized to plot employees in key positions according to job performance and leadership potential

Lowest

Always
Usually
Sometimes
Rarely
Not at All
Utilization of Leadership Development Culture

Managers are trained to formally communicate high potential designations to employees:
- Always: 4%
- Usually: 19%
- Sometimes: 33%
- Rarely: 27%
- Not at All: 33%

Our organizational culture de-emphasizes the status associated with high potential designations:
- Always: 6%
- Usually: 17%
- Sometimes: 33%
- Rarely: 27%
- Not at All: 33%

Our organization seeks to achieve transparency with the high potential designation process:
- Always: 11%
- Usually: 17%
- Sometimes: 33%
- Rarely: 27%
- Not at All: 33%

Managers across our organization view the process for designating high potentials as fair and equitable:
- Always: 2%
- Usually: 9%
- Sometimes: 37%
- Rarely: 17%
- Not at All: 46%

Employees view the process for designating high potentials as fair and equitable:
- Always: 0%
- Usually: 6%
- Sometimes: 37%
- Rarely: 11%
- Not at All: 46%

Our organizational culture encourages managers to ‘release’ high potential employees for developmental assignments elsewhere in the organization:
- Always: 9%
- Usually: 9%
- Sometimes: 32%
- Rarely: 11%
- Not at All: 41%
Utilization of Pay Practices

- The board of directors advocates an incentive pay structure that incentivizes CEO support of talent management practices.
- The incentive pay structure for our senior leadership team incentivizes support for talent management practices.
- Performance appraisal processes incentivize managers to support talent management practices.

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Utilization of Onboarding Practices

Managers promoted into key positions or roles that are new to our organization complete an on-boarding program:
- Always: 42%
- Usually: 28%
- Sometimes: 11%
- Rarely: 15%
- Not at All: 4%

Executives hired from outside our organization complete an on-boarding program:
- Always: 45%
- Usually: 24%
- Sometimes: 20%
- Rarely: 7%
- Not at All: 4%
Assessing Your Organization’s Healthcare Success Factors

- After completing the *Healthcare Success Factors Assessment* for your hospital or health system, discuss the *Reflection Questions* (p. 4) with the colleagues at your table:
  1. What overall patterns do you detect in the frequency/importance ratings plotted on your graph? Which *Success Factors* are emphasized the most and least in your hospital or health system?
  2. Do you notice any common themes for those practices represented in Quadrant A (*Development Areas*) and/or Quadrant B (*Strengths*)?
  3. For your organization’s *Development Areas* (Quadrant A), how can you leverage the necessary resources and political support for an action plan to enhance these development areas?
  4. Given healthcare reform and increasing emphasis on value-based performance metrics, which *Success Factors* are most important for meeting your organization’s talent management challenges?
The diagram illustrates a criticality and frequency matrix with four quadrants:

- **A (Development Areas)**: High criticality and frequency, indicating areas that require immediate attention.
- **B (Strengths)**: High frequency and low criticality, indicating strong areas that may be overemphasized.
- **C (Low Priority)**: Low criticality and frequency, indicating areas of low concern.
- **D (Possible Excess)**: Low frequency and high criticality, indicating areas that may be underutilized.

The criticality is represented on the vertical axis, while the frequency is represented on the horizontal axis.
Healthcare Success Factors & Employee Productivity

23.7% $31,469/FTE

- TMSF Overall: $132,685
- TMT Support: $143,783
- Performance Management: $129,833
- Talent Assessment: $150,883
- Leadership Dvlp. Culture: $131,495
- Pay Practices: $140,822
- Onboarding: $136,355

- TMSF Overall: $164,154
- TMT Support: $161,799
- Performance Management: $156,078
- Talent Assessment: $158,578
- Leadership Dvlp. Culture: $136,283
- Pay Practices: $152,266
- Onboarding: $168,312

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Success Factors & Overall HCAHPS Scores

- **13.8% Improvement in Overall HCAHPS**
- **21.3% Improvement in Overall HCAHPS**

![Bar Chart](image-url)

- **TMSF Overall**: 65%
- **TMT Support**: 60%
- **Performance Management**: 68%
- **Talent Assessment**: 61%
- **Leadership Dvlp. Culture**: 67%
- **Pay Practices**: 70%
- **Onboarding**: 68%

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Success Factors & HCAHPS Dimension Scores

Hospital Rating: 65% Low, 71% High
Clinical Communication: 73% Low, 76% High
Clinical Responsiveness: 63% Low, 68% High
Facility Quality: 60% Low, 67% High
Hospital Recommendation: 65% Low, 74% High

13.8% Improvement in Hospital Rec.
HCAHPS Dimensions & Talent Assessment Practices

- Hospital Rating: 61% (Low) vs. 71% (High)
- Clinical Communication: 71% (Low) vs. 75% (High)
- Clinical Responsiveness: 61% (Low) vs. 67% (High)
- Facility Quality: 60% (Low) vs. 67% (High)
- Hospital Recommendation: 61% (Low) vs. 74% (High)

21.3% Improvement in Hospital Rec.
Success Factors & Annual Nursing Turnover

<table>
<thead>
<tr>
<th>Success Factor</th>
<th>Low</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>TMSF Overall</td>
<td>9.98%</td>
<td>7.91%</td>
</tr>
<tr>
<td>TMT Support</td>
<td>9.83%</td>
<td>7.87%</td>
</tr>
<tr>
<td>Performance Management</td>
<td>11.95%</td>
<td>9.88%</td>
</tr>
<tr>
<td>Talent Assessment</td>
<td>11.12%</td>
<td>8.64%</td>
</tr>
<tr>
<td>Leadership Dvlp. Culture</td>
<td>9.91%</td>
<td>7.41%</td>
</tr>
<tr>
<td>Pay Practices</td>
<td>8.60%</td>
<td>7.23%</td>
</tr>
<tr>
<td>Onboarding</td>
<td>13.20%</td>
<td>8.35%</td>
</tr>
</tbody>
</table>

Turnover Reduction: 36.7%

$4.91M
Success Factors & Annual Management Turnover

55.5% Turnover Reduction

- TMSF Overall: 6.83%
- TMT Support: 6.77%
- Performance Management: 9.00%
- Talent Assessment: 8.48%
- Leadership Dvlp. Culture: 7.43%
- Pay Practices: 4.84%
- Onboarding: 7.03%

Low: 5.07% 5.13% 5.98% 3.77% 5.50% 4.08% 4.80%
High: 5.98% 6.77% 9.00% 8.48% 7.43% 4.84% 7.03%
Healthcare Success Factors & Workforce Performance Metrics

- **External Talent Placement**: 69% Low, 43% High
- **Benchstrength**: 53% Low, 14% High
- **Gender Diversity**: 44% Low, 26% High
- **Ethnic Diversity**: 34% Low, 6% High
### High Potential Policies & Practices

<table>
<thead>
<tr>
<th>Policies &amp; Practices</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>What is the target size of the high potential pool as a percentage of overall FTEs?</strong></td>
<td><strong>Mean = 8.95%</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Median = 8.00%</strong></td>
</tr>
<tr>
<td><strong>Are talent review meetings conducted to discuss high potential employee nominations?</strong></td>
<td><strong>71% Yes (n = 101)</strong></td>
</tr>
<tr>
<td></td>
<td><strong>29% No (n = 41)</strong></td>
</tr>
<tr>
<td><strong>How often are talent review meetings conducted?</strong></td>
<td><strong>77% Annual (n = 109)</strong></td>
</tr>
<tr>
<td></td>
<td><strong>16% Biannual (n = 23)</strong></td>
</tr>
<tr>
<td><strong>Are individual employees explicitly told of their status as a high potential?</strong></td>
<td><strong>50% Yes = (n = 71)</strong></td>
</tr>
<tr>
<td></td>
<td><strong>50% No = (n = 71)</strong></td>
</tr>
<tr>
<td><strong>Who is responsible for communicating high potential status to individual employees?</strong></td>
<td><strong>50% Immediate supervisor = (n = 71)</strong></td>
</tr>
<tr>
<td></td>
<td><strong>19% Senior management team = (n = 27)</strong></td>
</tr>
<tr>
<td><strong>Are employees offered exclusive training and development opportunities?</strong></td>
<td><strong>71% Yes = (n = 109)</strong></td>
</tr>
<tr>
<td></td>
<td><strong>29% No = (n = 33)</strong></td>
</tr>
</tbody>
</table>
Defining High Potential Leaders

How do hospital organizations define high potential employees?

- **Leadership Capability** – “the capability to take on broader scope and a leadership role to develop long-term potential”

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leadership Capability</td>
<td>52%</td>
<td>74</td>
</tr>
<tr>
<td>Management Level</td>
<td>14%</td>
<td>20</td>
</tr>
<tr>
<td>Management Role</td>
<td>12%</td>
<td>17</td>
</tr>
<tr>
<td>Other</td>
<td>10%</td>
<td>14</td>
</tr>
<tr>
<td>Strategic Role</td>
<td>7%</td>
<td>10</td>
</tr>
<tr>
<td>Performance Record</td>
<td>5%</td>
<td>7</td>
</tr>
</tbody>
</table>

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Assessing High Potential Leaders

How do hospital organizations assess high potential employees?

- **Nine-box** assessments of job performance and leadership competencies

![Bar chart showing the percentage of evaluation methods used by hospital organizations.]

- Job Performance Record (64%)
- Leadership Competencies (63%)
- Specific Work Experiences (54%)
- Specific Abilities (46%)
- Specific Education/Knowledge (38%)
- Personality Variables (29%)
- Learning Ability or Agility (29%)
- Mobility to Relocate (18%)
- Other (11%)
Developing High Potential Leaders

How do hospital organizations develop high potential employees?

- Project-based experiences
- Leadership development programs

![Bar chart showing various development methods with percentages:]

- Special Projects (59%)
- Internal Development Program (52%)
- Executive Coaches (39%)
- Informal Mentoring (38%)
- Job Rotation Assignments (38%)
- External Executive Education Programs (30%)
- Formal Mentoring Program (27%)
- Attendance at Senior Leadership Offsites (20%)
- Assessment Centers (11%)
- Other (9%)
Phase III: Applications of the Healthcare Success Factors

Research Goals:

1. Assess hospital/health systems talent management processes and performance outcomes
2. Illustrate the *Healthcare Success Factors* via in-depth case studies of exemplary organizations
3. Utilize data gained from engagements to refine the model
Healthcare Success Factors at Exemplary Organizations

Sutter Health
   — Talent assessment practices

Hospital Corporation of America
   — Executive Development Program (EDP)

Cleveland Clinic
   — Onboarding practices
Sutter Health at a Glance

Sutter Health

- Community-based, not-for-profit, non-denominational system in Northern California
- Integrated delivery network comprised of affiliated hospitals, physician organizations, foundations, and home health services

2012 Financials & Size

- 50,000 employees and 5,000 physicians
- $9.6 billion revenue
- 24 hospitals; 28 ambulatory surgery centers
Sutter Health’s Talent Assessment Practices

• **Succession planning objectives**
  – Enhance leadership capabilities via diverse talent pool
  – Cultivate strong succession plans for critical positions
  – Create a central, searchable repository of leadership talent
  – Develop system-wide approach to talent management

• **Talent review meetings**
  – Standardized, annual, data-driven process across affiliates and management levels (affiliate, region, and system)
  – Leadership talent reviewed *sequentially*; data rolled-up to successive levels (March-July)
Talent Assessment:
Best Practices at Sutter Health

System-wide View of Talent

Disciplined Use of Performance Mgmt. Platform

Strong Assessment-Development Link

Performance vs. Potential Ratings Staggered

Clear Hi-Po Definition

Post-talent Review Actions
The Performance & Potential Matrix (9-box Grid)

3A. Exceptional Performance/Focus on Current Position
3B. Exceptional Performance/Growth to Bigger Position
3C. Exceptional Performance/Immediate Potential for Higher Level

2A. Full Performance/Focus on Current Position
2B. Full Performance/Growth to Bigger Position
2C. Full Performance/Immediate Potential for Higher Level

1A. Not Yet Full Performance/Focus on Current Position
1B. Not Yet Full Performance/Potential for Growth in Future
1C. Not Yet Full Performance/Potential for Higher Level in Future

Focus on gaining mastery in current position & leadership capabilities
Focus on obtaining additional responsibilities or bigger position
Focus on promotion to higher levels relatively soon

POTENTIAL

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Succession Planning Performance Metrics

What is the evidence that these talent assessment practices are effective?

✓ 66% internal/external executive hiring ratio (2009-2012)
✓ 10% of management population identified as high potential/high performing leaders (n = 505)
✓ 66% of successors to leadership roles are women
✓ 22% annual growth rate (2007-2012) of ready now candidates for leadership roles (n = 332)
✓ 65% annual growth rate (2007-2012) of leadership positions assessed (n = 1237)
Best Practice Recommendations

1. Audit your organization’s talent management system
2. Sharpen the business case for investing in talent management practices
3. Align talent management practices with strategic initiatives (diversity, quality outcomes, LEAN)
4. Enhance onboarding programs for internal leadership promotions and external hires
5. Assess composition, format, and consistency of talent review sessions
Best Practice Recommendations

6. Utilize validated tools for assessing leadership potential and leadership competencies

7. Standardize performance management and leadership potential data via an integrated platform

8. Align performance appraisal and incentive pay practices (scorecard) with talent management activities

9. Cultivate a leadership development culture via integrated, system-wide leadership programs

10. Adopt a formal set of evaluation metrics for assessing and communicating talent management system efficacy
Question & Answer Session

I welcome your questions, comments, and feedback.
Contact Information

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