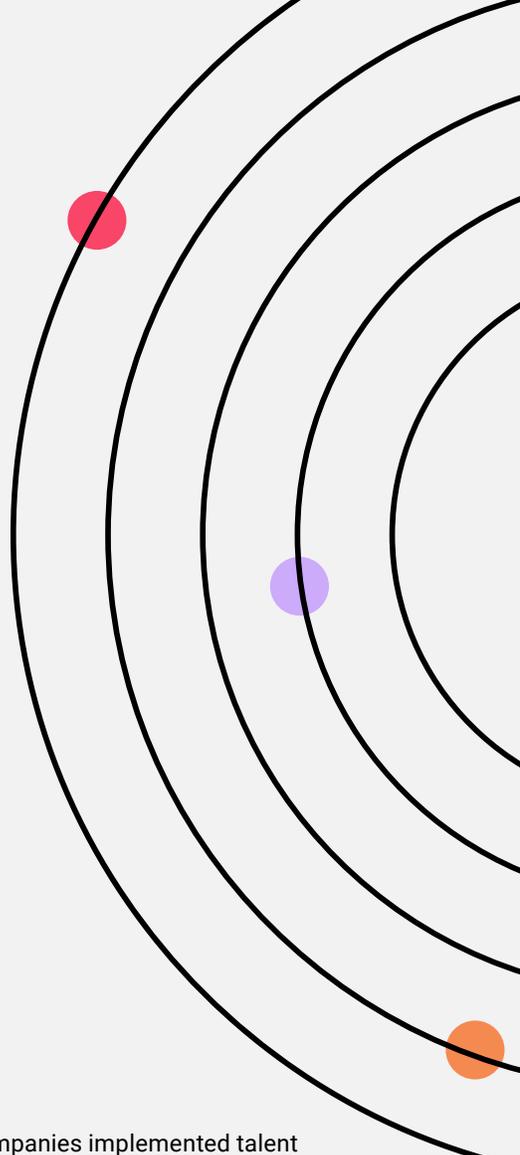




2021 REPORT

The State of Talent Optimization

500+ executives reveal nearly all companies practicing talent optimization were able to prevent major financial loss during a tumultuous business year.



Uncovering the business value of talent optimization

In February of 2021, The Predictive Index surveyed more than 500 executives from more than 15 different industries. The goal was to understand how companies that practice talent optimization fared in one of the most tumultuous business years on record.

The data not only sheds light on the state of talent optimization—**the discipline of aligning talent and business strategies**—but how it’s evolving.

In this report, we learned about the impact of talent optimization in virtual settings.

We learned that more companies implemented talent strategies and that more businesses are shifting to intentionally align those talent strategies with their business strategies. We also learned how **strategy alignment influences performance outcomes**.

As you’ll see, talent optimization is a differentiator, even in a difficult year. We found that talent optimized companies remained on track long-term, largely by focusing on alignment and engagement, and by increasingly using behavioral data to inform their hiring and team building processes.



After reading this report, you'll understand how companies practice talent optimization to achieve **positive business outcomes**, even amid uncertainty.

Maybe it wasn't a boom year. **But for many organizations practicing talent optimization, it was a fortifying year.** By prioritizing strategic alignment and making the most of who they had, they set themselves up better for the long term. These companies are self-aware; they can see their strengths and areas of opportunity. And with a pulse on their people, they can better anticipate where they will be stretched in the future—and address those areas proactively.

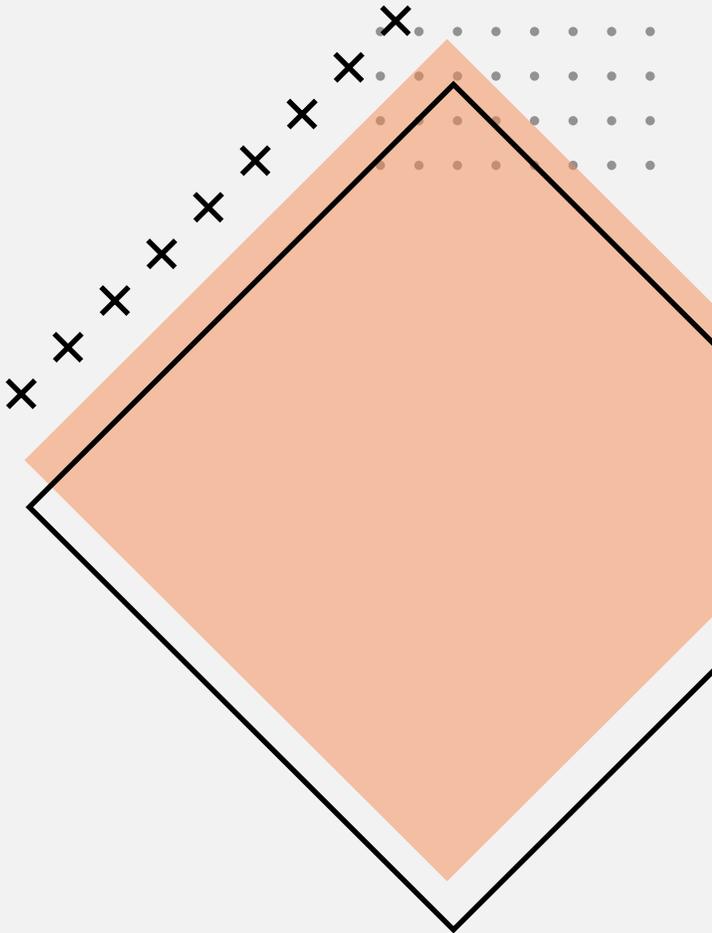
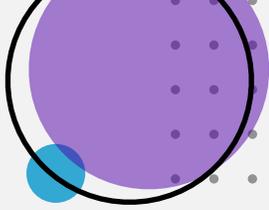


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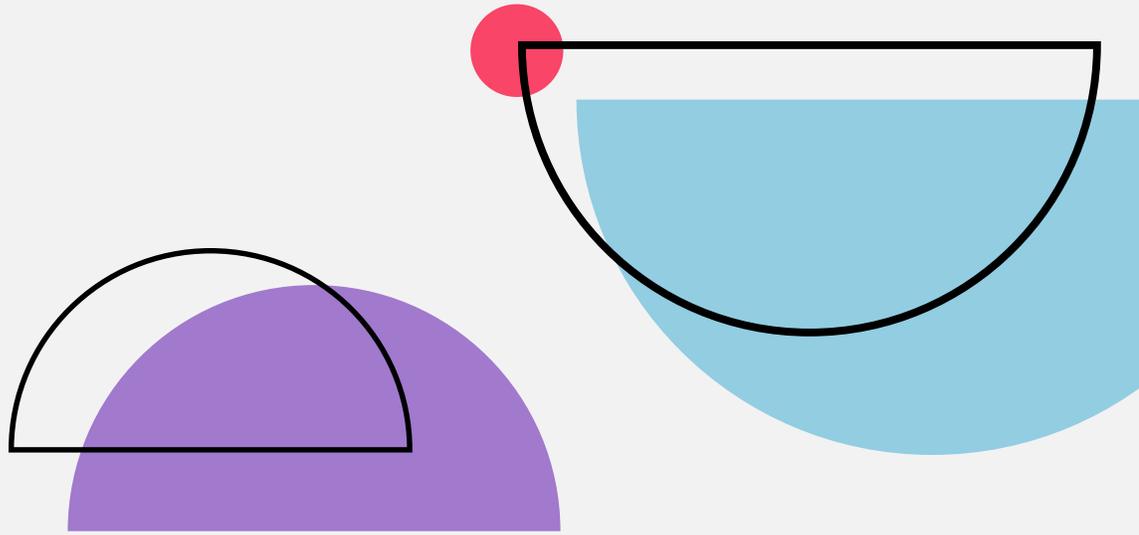
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About the study

In February 2021, The Predictive Index surveyed more than 500 executives—CEOs, presidents and SVPs—from businesses across the globe and spanning multiple industries. We asked the tough, but necessary questions: *Did your company have a reduction in force last year? If so, what percentage of your workforce was laid off due to COVID-19? How many people is your company planning to hire in 2021?* We crossed those responses with questions related to talent optimization. Finally, we gathered success metrics on retention, revenue, losses, and employee development.

For more details about the survey methodology, refer to page 53.



Learn about our respondent pool

50-500+ employees

Each executive surveyed led a company with no less than 50 employees, with 68% of executives leading a company with 500 or more employees.

515 executives

Of the 515 responding executives, 142 held the role of CEO or president. The remaining 373 were SVPs, VPs, or other members of the executive team.

15 industries

The technology/telecom sector was best represented among survey respondents, at 30%. Finance & Insurance accounted for another 16% of the responses, and Construction made up 10%. Comprising the rest of the respondent pool were: Business/Professional Services (7%); Healthcare/Life Sciences (7%); Education (5%); Manufacturing (5%); Other (6%); Retail (4%); Transportation/Distribution (2%); Government (3%); Energy (2%); and Hospitality/Food Service (2%).



Meet our subject matter experts

We shared some findings with experienced senior leaders and asked them to respond. Throughout the report, you'll see insights from the following subject matter experts:



Kirk Arnold

Executive in Residence at General Catalyst

Arnold is a former CEO and a current board member of companies including Ingersoll Rand, Thomson Reuters, and PI. In addition, she's a senior lecturer at MIT Sloan School of Management.



Chris Toy

CEO and Co-Founder at MarketerHire

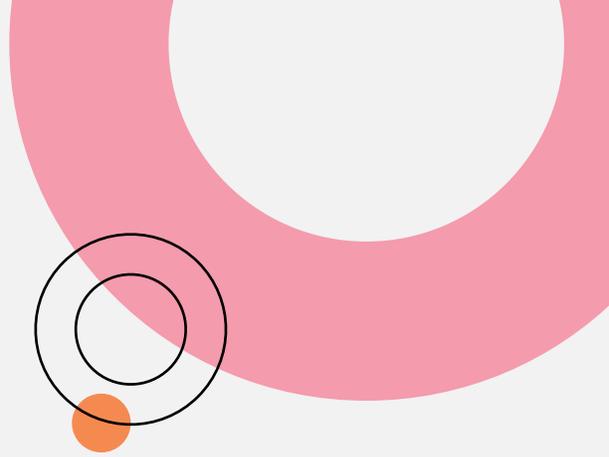
Toy is the CEO and co-founder of MarketerHire. He's spent the past 20 years as a leader and entrepreneur in marketing, media, and tech. He's worked with Fortune 500 and unicorn startups.



Tracie Sponenberg, SHRM-SCP, SPHR

Chief People Officer at The Granite Group

Sponenberg leads people functions for The Granite Group—a wholesale distributor with 45 locations. She co-organizes DisruptHR NH and is on SHRM's Special Expertise Panel.



Keisha Rivers, M.Ed.

M.Ed., President at The KARS Group

Rivers facilitates successful outcomes by equipping people to embrace, manage, and lead through change. She has authored several books including "Equipped for Change: Doing the Deep Work of Transformation."



Dana Auten, Ph.D.

People Scientist at The Predictive Index

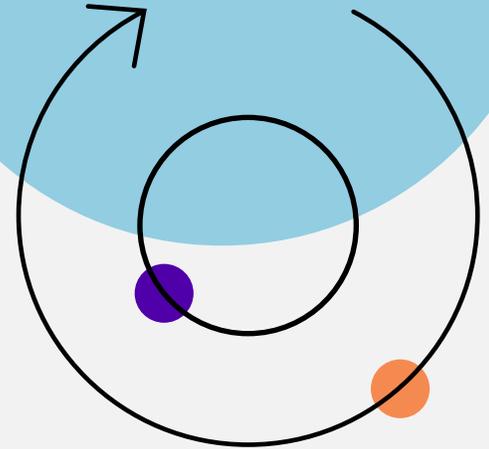
Auten has a doctorate in Applied Industrial and Organizational Psychology. She's an expert in the employee burnout lifecycle and recovery from work.

The background is a solid light pink color. It features several vertical lines of varying thicknesses. On the right side, there are four concentric, rounded-bottom U-shaped lines. On the left side, there are four concentric, rounded-top arch-shaped lines. Four colored dots are placed on these lines: a blue dot on the top vertical line, a red dot on the rightmost U-shaped line, an orange dot on the top arch-shaped line, and a purple dot on the leftmost vertical line.

Designing talent strategy

“Your eyes and your gut
will fail you.”

- Billy Beane, EVP of The Oakland Athletics

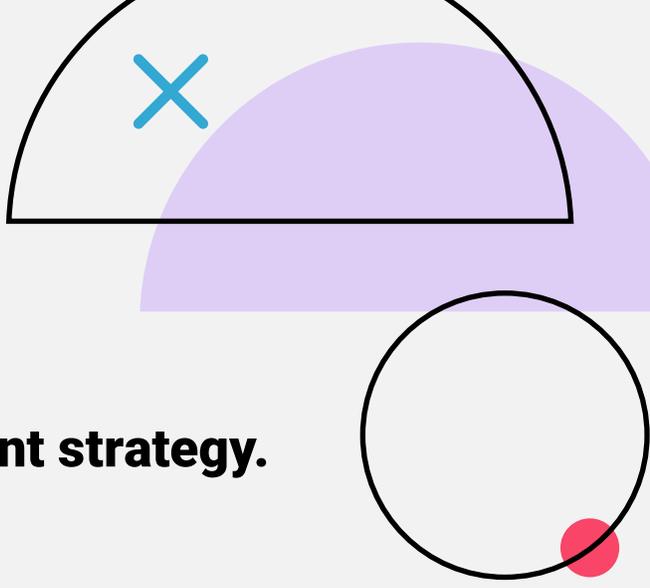


What is a “talent optimized company”?

For the purposes of this report, we used the term “talent optimized company” to describe companies that:

- ✓ Have a talent strategy
- ✓ Have a business strategy
- ✓ Align their talent and business strategies

It’s important to note that even though the word “optimized” indicates completion, **talent optimization is an ongoing practice**—not something you do once and check off your list.



More companies now have a talent strategy.

KEY FINDING

55% of respondents have a talent strategy in place.

The study began by presenting the executive panel with a list of statements. We wanted to understand how many companies had a talent strategy in place. More than 55% of respondents have a talent strategy—up from 37% a year ago.

Which of the following statements are true?

76% We have a business strategy.

66% We have a financial plan.

55% We have a talent strategy.

40% We have the right executive team in place to execute our business strategy.

36% We understand each executive's confidence in achieving strategic priorities.

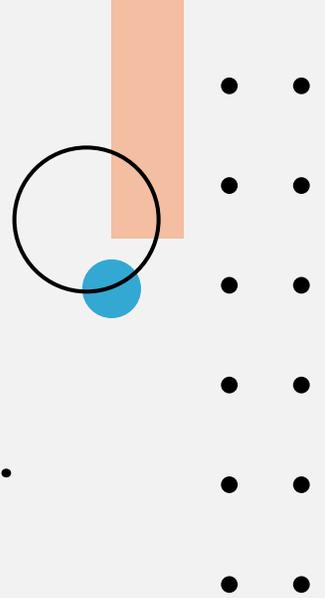
34% We have a well-documented talent strategy that is understood throughout the organization.

34% We intentionally align our organizational structure with our business strategy.

33% We think people strategy is everyone's responsibility (not just HR's).

31% We map leadership competencies to the business strategy.

30% Our core values align with the business strategy.



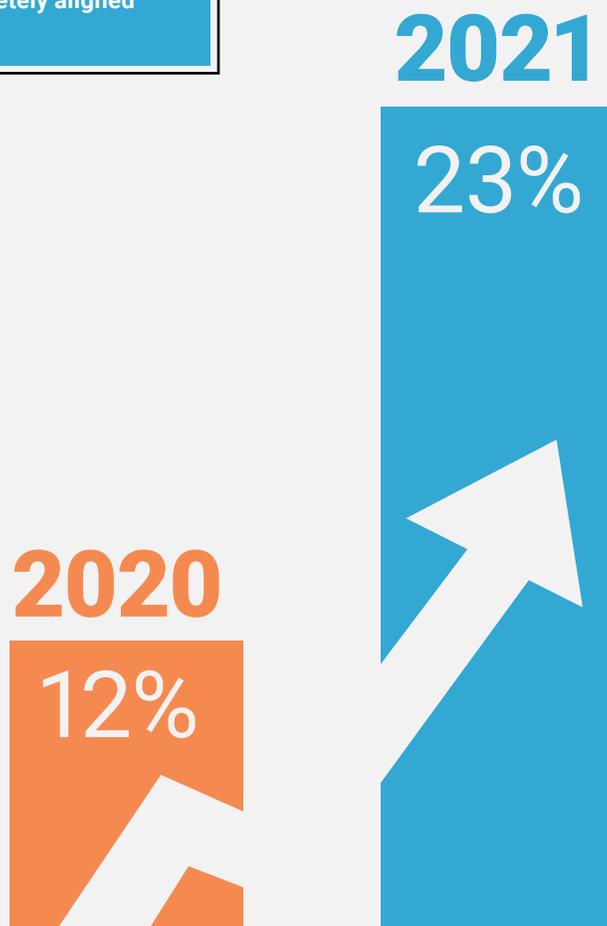
Talent strategies are increasingly common, but not all talent strategies are created equal.

KEY FINDING

Only 23% of executives say they aligned their business and talent strategies.

The share of companies that align their talent strategy with their business strategy increased year over year, too (from 12% to 23%). According to the definition we set forth on page 10, 23% of respondents lead “talent optimized companies.” Why is it critical to align the two strategies? Because your business strategy provides context that informs people decisions such as who to hire and how to assemble teams.

Our talent strategy is completely aligned with our business strategy.



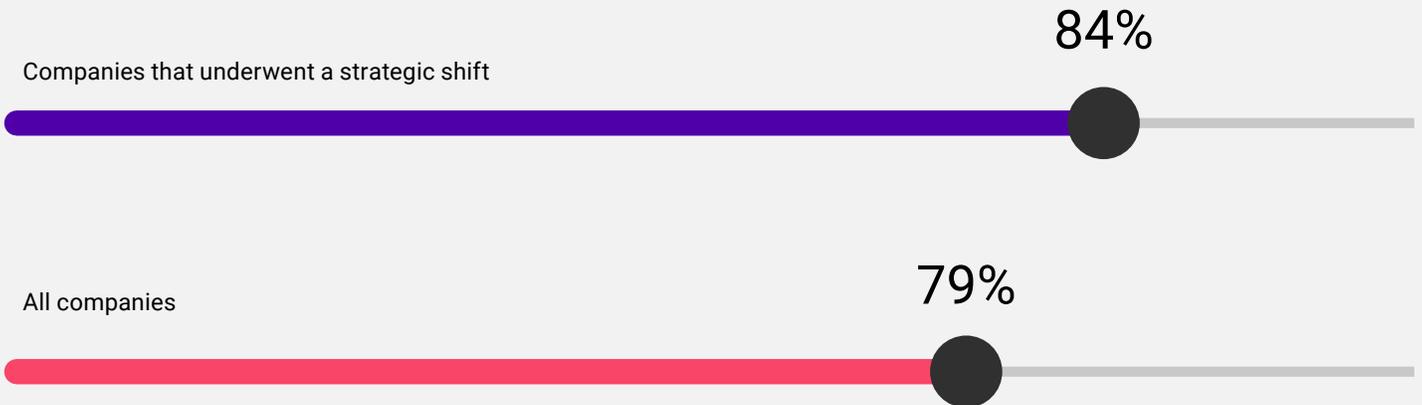
Most companies have tools in place to evaluate senior leadership.

KEY FINDING

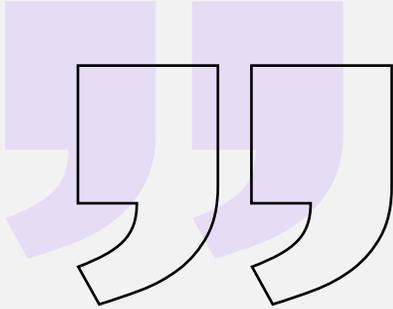
79% of companies use tools to actively evaluate their senior teams.

Senior team makeup is critical to company success, so it's no surprise that 4 out of 5 companies use tools to evaluate their senior leadership team. When looking at companies who underwent a strategic shift over the past year, that number rises to 84%. It's clear that measuring and analyzing objective people data is increasingly important after significant change.

Do you have tools in place to actively evaluate your senior teams?



What the experts had to say about the increased adoption of talent strategies and strategy alignment



Tracie Sponenberg

Chief People Officer at The Granite Group

“This past year many more companies started to see the value in having a true strategic partner in the people space. CPOs navigated devastating twists and turns while keeping their employees’ health and safety at the forefront and trying to create a space of psychological safety for all in the midst of a pandemic. No one expects a pandemic. But it fell to the CPO to lead. And lead they did. It’s encouraging that there was a large increase in companies aligning their business and talent strategies, and not surprising given the rise in importance of this role in the past year. But it’s not enough. Let’s make next year the year the CPO is seen as not only a partner to the CEO, but equal to the CFO, COO, CMO and every other member of the C-suite.”



Kirk Arnold

Executive in Residence at General Catalyst

“One of the most challenging aspects of driving business strategy into business results is bringing that strategy to life across the team—helping each team member understand and embrace the contribution they can, and must, make to ensure the strategy’s success. Very few companies do this alignment well, which is the reason so many strategies fail. Most leaders recognize this gap and would welcome help in improving the outcome and impact of strategic efforts.”



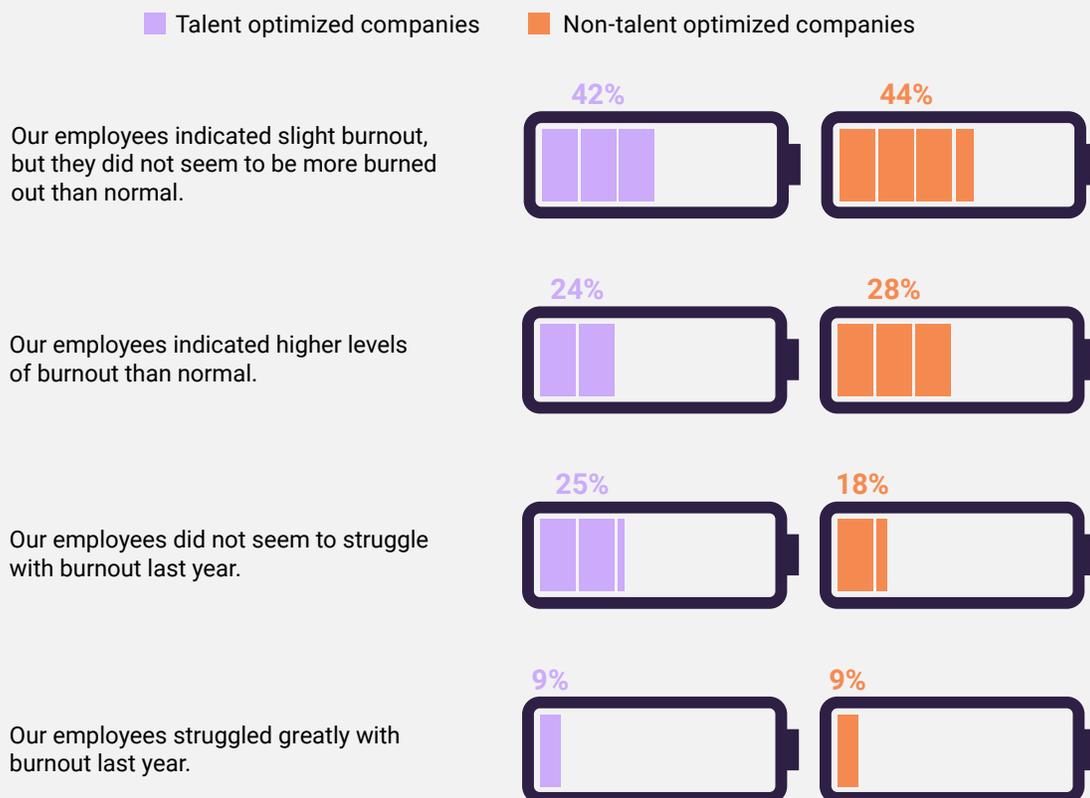
Everyone is wrestling with burnout, but talent optimized companies are more proactively addressing it.

KEY FINDING

Talent optimized companies are experiencing lower levels of burnout (33%) than companies whose strategies aren't aligned.

As you can see in the chart below, 33% of talent optimized companies struggled with burnout (they selected "Our employees indicated higher levels of burnout than normal" or "Our employees struggled greatly with burnout last year"). Companies that don't practice talent optimization responded similarly: 38% struggled with burnout. Burnout is pervasive during times of stress, and talent optimized companies aren't immune to it.

Which of the following best indicates your company's level of burnout last year?



Fewer talent optimized companies had to do a reduction in force (RIF) last year.

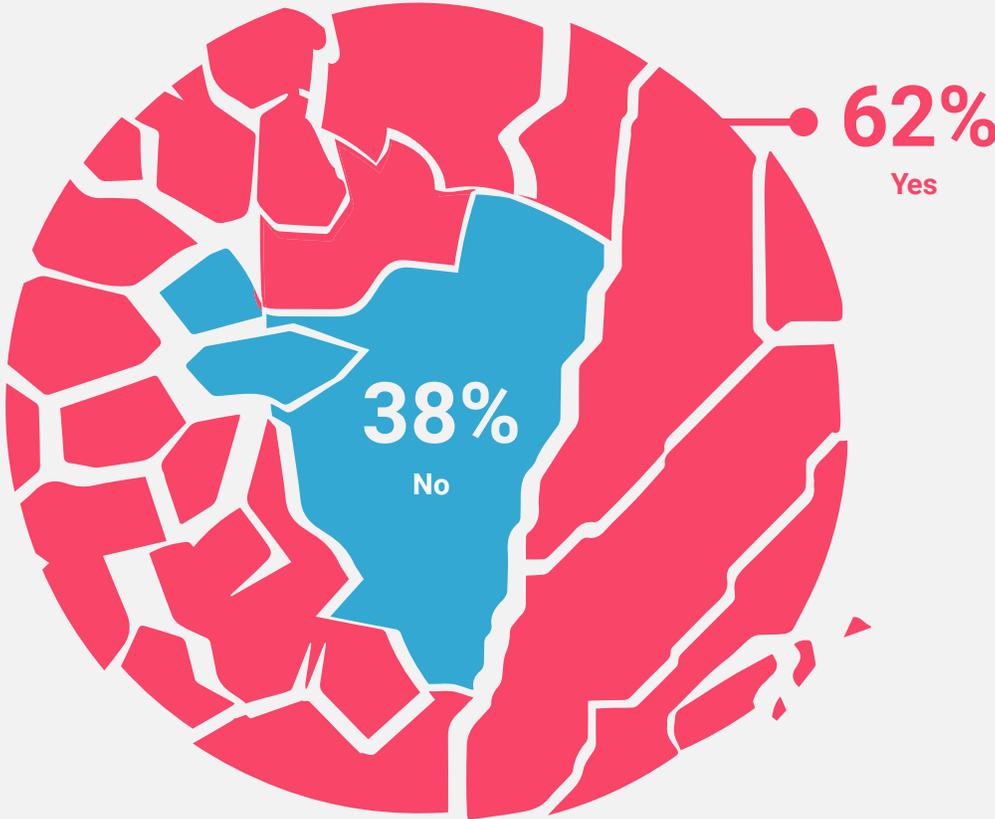
On average, 62% of companies had to lay-off employees to survive the economic downturn. Of the companies that had a RIF, only 22% practiced talent optimization.

KEY FINDING

Of the reductions in force reported, 78% were from non-talent optimized companies.

Did your company have a reduction in force last year?

All companies



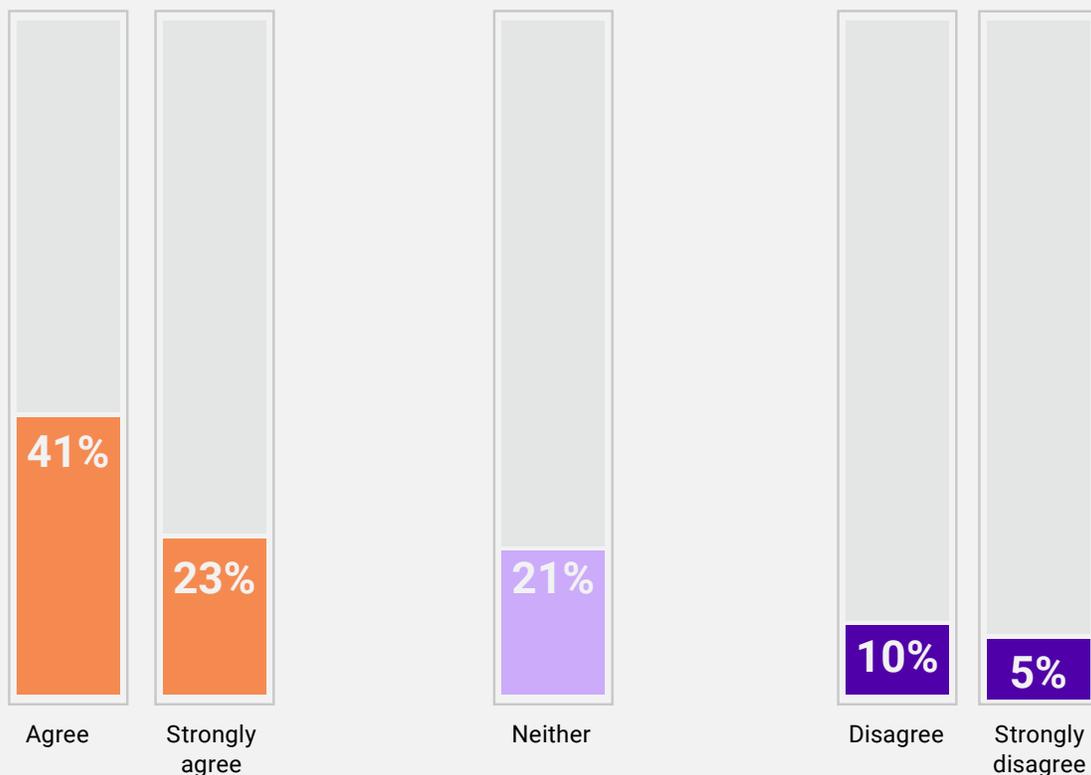
Companies felt the toll of forced remote work.

KEY FINDING

64% of respondents believe that the shift to remote work “increased levels of exhaustion among employees.”

COVID-induced remote work took on different forms for different industries and businesses—and had varying impacts on people within those businesses. A majority of survey respondents acknowledged the toll this shift took on their employees; 64% said they “agree” or “strongly” agree with the statement *our shift to remote work has increased levels of exhaustion among employees*. Nearly half (42%) said that their employees were working more hours remotely than they had previously in the office.

Our shift to remote work has increased levels of exhaustion among employees.



Remote work has businesses more attuned to people problems.

KEY FINDING

Employee engagement and productivity (47% each) were cited as the two greatest challenges moving forward for companies implementing remote work policies.

Organizations seem increasingly aware of how remote work rhythms can affect their people.

They're equally concerned about productivity and engagement with remote employees.

Still, not everyone has made addressing people problems a top priority.

What would you cite as your company's greatest challenge in implementing remote work policies?

47%

Keeping employees engaged

47%

Employee productivity

43%

Ensuring employees continue to perform

34%

Internal communication

28%

Employees will feel like they need to be "on" all the time

26%

Acquiring technology that enhances remote work

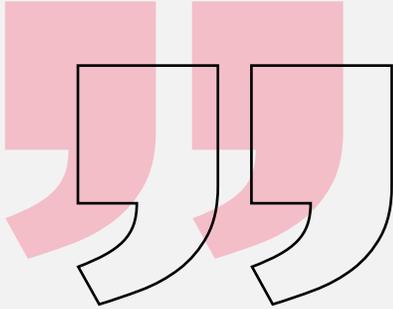
26%

Employees will get distracted

26%

Difficulties with technology

What the experts had to say about the challenges brought about by the pandemic and economic downturn



Dana Auten, Ph.D.

People Scientist at The Predictive Index

“I understand the concern of engagement, productivity, and performance under normal circumstances. But remote work during a pandemic is not normal remote work. It’s critical for all leaders to lead with empathy, kindness, vulnerability, grace, and love in all situations—but especially those as extraordinary as this past year. Have open conversations and be completely open to when, where, and how the work gets done.”



Chris Toy

Co-Founder & CEO, MarketerHire

“This makes sense, but it’s definitely not inherent to remote work. Rather [it is] a result of people and companies just still finding their new normal and new habits. We take so many cues from our environment to break up the day that once they’re gone we have to find new ways to do it. How many times have you gone on a coffee run just because someone else was going? Or out to get lunch? Even meetings in different locations break up the day and add variety.”



Tracie Sponenberg

Chief People Officer, The Granite Group

“People officers did it all while managing their own challenges at work and at home (which suddenly became the same place for many.) From managing remote teams, to layoffs and furloughs, to the isolation and loneliness and mental health concerns of employees, the CPO helped their companies navigate it all. No one trains for this.”

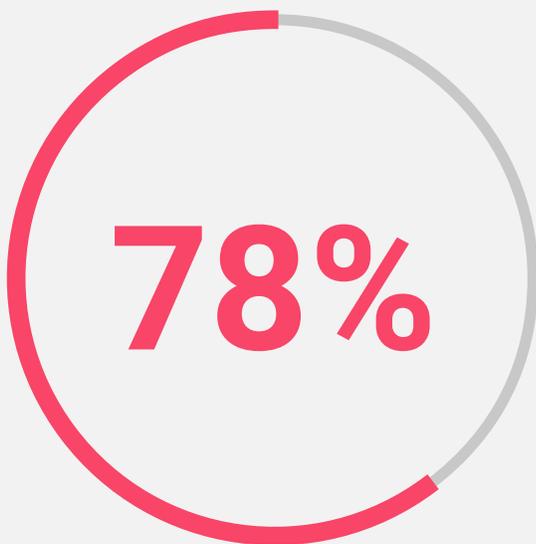
Teams at talent optimized companies worked well together in spite of obstacles.

KEY FINDING

98% of executives at talent optimized companies said their teams continued to work well together.

Yes, 33% of talent optimized companies struggled with burnout. And yes, 59% of talent optimized companies had a reduction in force last year. Despite those obstacles, 98% of the executives at talent optimized companies said their teams continued to work well together. Why are these companies so successful in creating team cohesion? First, they align their business and talent strategy. They may also be more adept at using behavioral data to ensure cohesion among team members. Whatever the case, talent optimized companies managed to fortify themselves and forge ahead more successfully than others.

Teams within our company continued to work well together



Non-talent optimized companies



Talent optimized companies



Talent optimization helped prevent major losses.

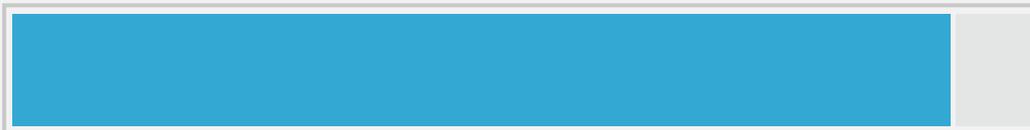
KEY FINDING

93% of talent optimized companies were able to prevent major financial loss as compared to 76% of peers.

Many talent optimized companies experienced major shifts last year: reductions in force, indefinite remote work, restructured teams, etc. But when it came down to their bottom lines, talent optimized companies weathered the storm better than companies without aligned business and talent strategies.

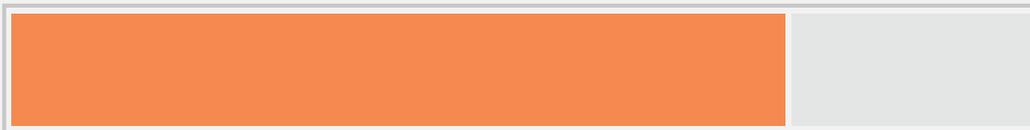
Did your company manage to prevent any major financial loss?

Talent optimized companies



93%

Non-talent optimized companies



76%

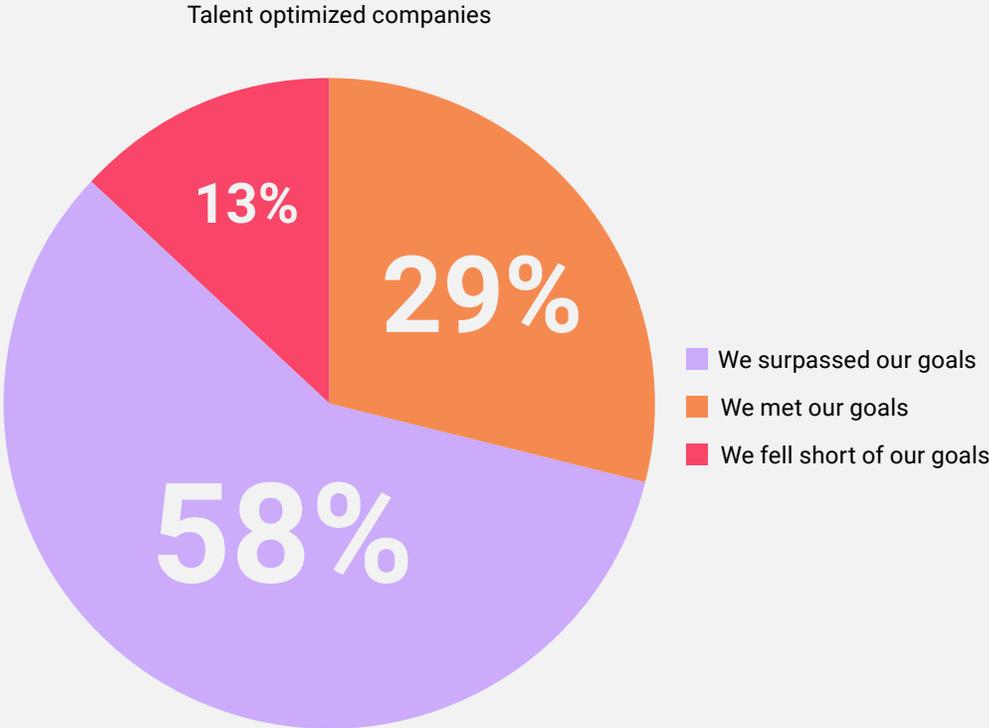
Despite unparalleled adversity, most talent optimized companies reached their goals.

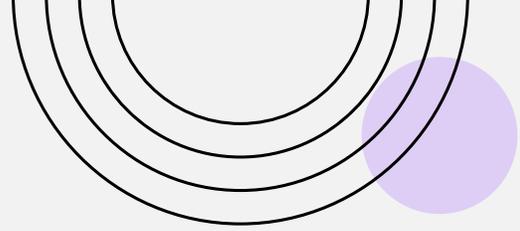
KEY FINDING

87% of talent optimized companies surpassed or met their goals in the past year.

Asked to describe their company’s performance during a business period like no other, the majority of respondents from talent optimized companies confirmed they still accomplished what they set out to do—and then some.

Which of the following best describes your company’s performance over the past year?





Talent optimized companies were more confident then, and remain more confident now (as compared to non-talent optimized companies).

KEY FINDING

99% of talent optimized companies are confident in their post-COVID strategy.

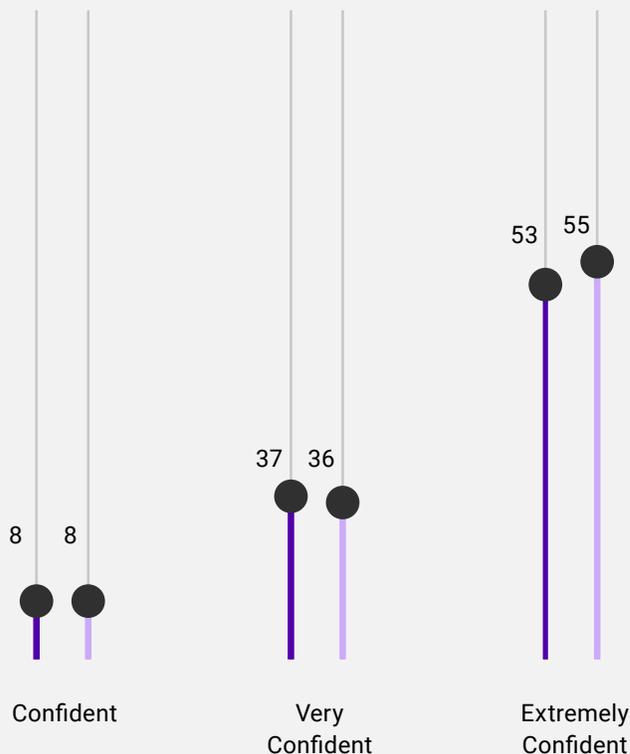
We asked the panel to rate their confidence in their company's strategy prior to COVID-19 and now on a scale of 1-5 (1 = not confident at all and 5 = extremely confident). Talent optimized companies responded more favorably to both questions. Also, companies who don't practice talent optimization saw confidence dip 3% over the past year.

How confident were you in your company's strategy prior to COVID-19?

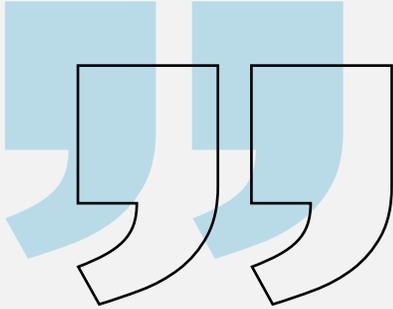
How confident are you in your company's strategy right now?

Talent optimized companies

- Prior
- Right now



What the experts had to say about talent optimization’s ability to create business resilience



Keisha Rivers

M.Ed., President at The KARS Group

“When business and talent strategies are aligned, it is easier to develop strategies and action plans that will create opportunities for solutions based on the future. Understanding what your people need, the talent they bring to the table, and how that aligns with your business strategy enables you to reasonably predict what will be your “next” normal. With that, you can create plans confidently that will provide the best environment to cultivate success.”



Kirk Arnold

Executive in Residence at General Catalyst

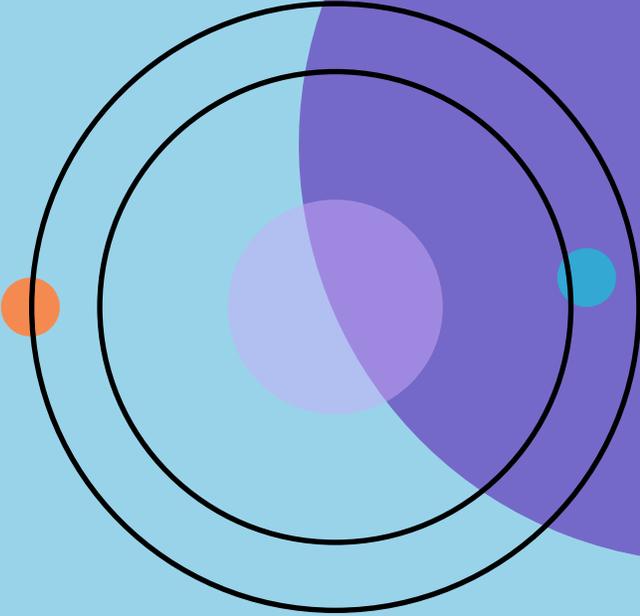
“93% of talent optimized companies were able to prevent major financial loss as compared to 76% of peers. This is a compelling data point and a tribute to the impact that talent optimization has on business results— even in a time of tremendous challenge and economic headwinds.”



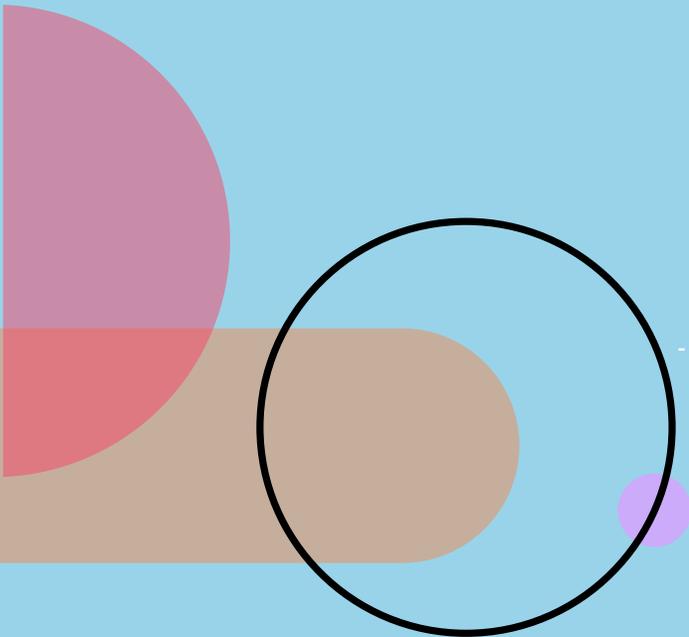
Chris Toy

Co-Founder and CEO, MarketerHire

“Most companies wouldn’t have a distinct talent strategy beyond trying to hire as best as they can, ad hoc. We see it all the time with our customers. To have a clear strategy and have that be in line with business goals, it’s a simple formula for success. Easier said than done, though.”



Hiring Top Talent



“Too many businesses believe
people strategy is just HR’s
responsibility. That misalignment
too often leaves recruiters and
hiring managers ill-equipped”

- Jackie Dube, SVP, Talent Optimization at The Predictive Index

Finding and keeping the right talent is a challenge, but it's easier when talent and business strategies are aligned.

KEY FINDING

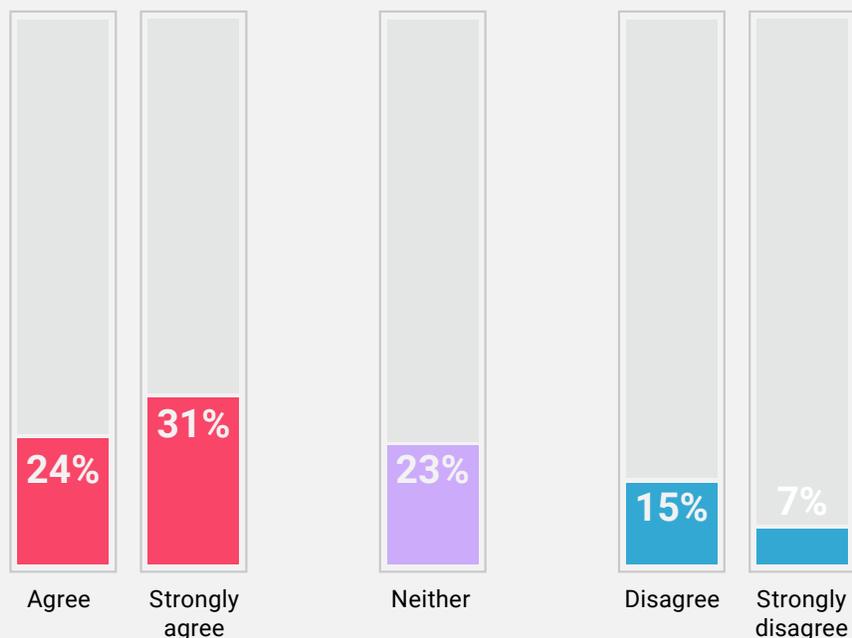
On average, 55% of companies struggled to attract and retain talent; 47% of talent optimized companies said the same.

The hiring landscape looked a lot different at the start of the year, when top talent was in high demand and frequently on the move. Many businesses felt that competition. 55% respondents said they agreed or strongly agreed that it was tough to find (and hang onto) people who could help them achieve their goals.

But the **talent optimized organizations found it a little easier**, having aligned their people and business strategies. Just 47% of them said it was difficult to get the right people, compared with 58% of those whose talent and business strategies weren't aligned.

Is it difficult to attract and retain talent we need to achieve our goals?

All companies



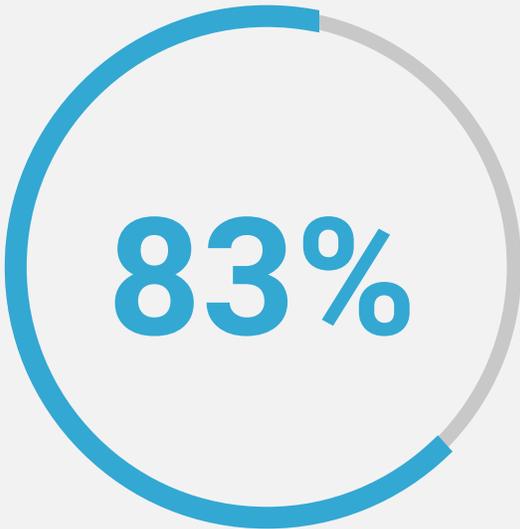
Talent optimized businesses feel better about their hiring processes.

KEY FINDING

96% of talent optimized businesses said they have an effective, repeatable process for hiring.

One step to getting ahead in the battle for talent? Establish a clear and scalable process. Nearly all companies who approached talent and business strategy in tandem felt good about their hiring processes, with 96% responding positively. By comparison, 83% of companies whose talent and business strategies weren't aligned said their process was effective and repeatable.

Does your company have an effective, repeatable process for hiring candidates?

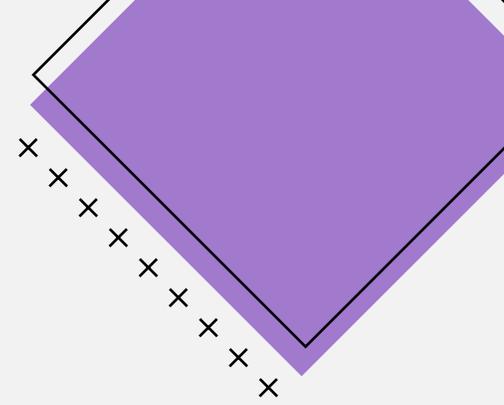


Non-talent optimized companies



Talent optimized companies

Hiring top talent begins with stakeholder alignment.

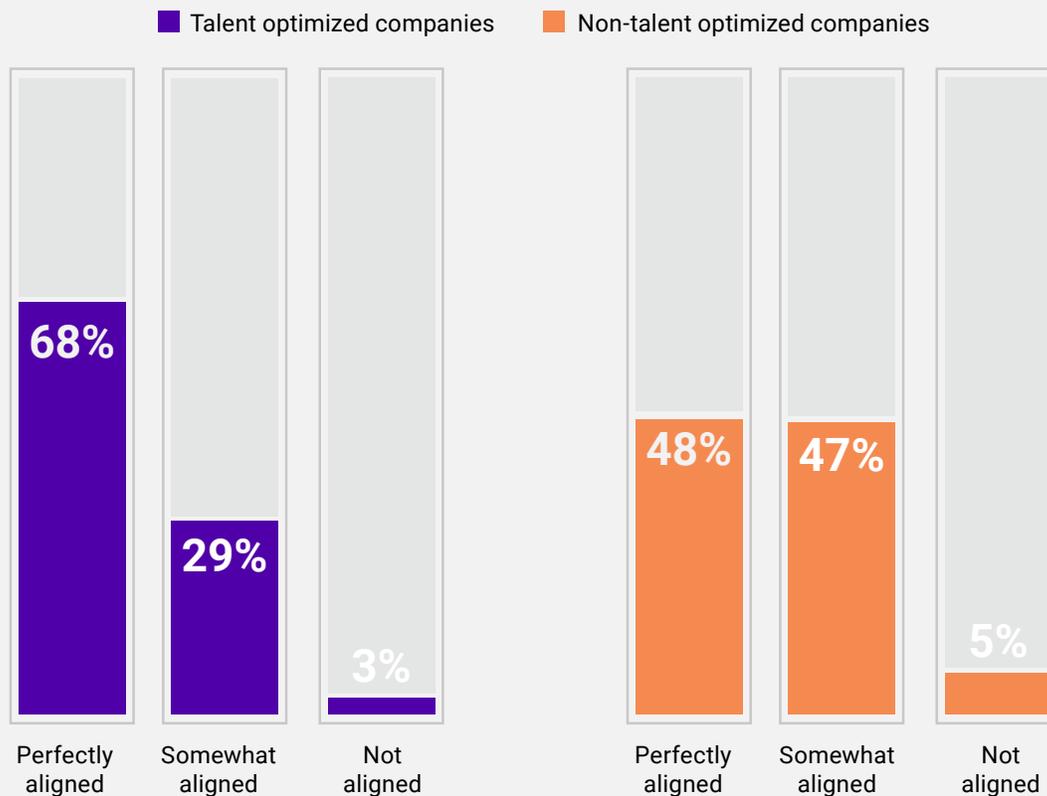


KEY FINDING

65% of talent optimized companies feel their hiring teams are “perfectly aligned” on job requirements.

As you read, the vast majority of all respondents say they have “an effective, repeatable process for hiring top talent.” But that doesn’t necessarily mean hiring managers and decision makers are all on the same page. True alignment means **being clear about the behavioral and needs of the role before posting the job ad**. 65% of talent-optimized companies feel their hiring teams are “perfectly aligned”—nearly twice what non-talent optimized companies reported (48%).

When you are hiring, which best describes how well your hiring teams are aligned on the requirements of the position?



Talent optimized companies are more likely to equip hiring managers with objective data.

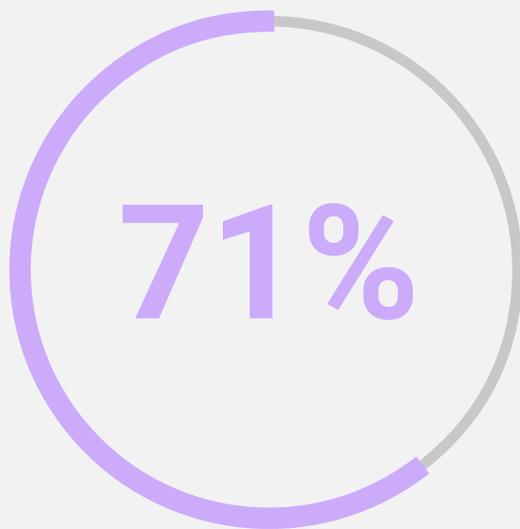
KEY FINDING

87% of organizations that align talent and business strategies also arm their hiring managers with behavioral or data on the people they're interviewing.

A hallmark of a talent optimized strategy is the use of behavioral data for hiring. It's an indication that these companies are not just focused on the resume, but the candidate's head and heart. They have a plan for who they want to get in the door, and they prioritize getting the right person rather than just filling an empty seat. **Behavioral data gives hiring managers a deeper understanding of who they're interviewing**, and how they might respond in certain workplace situations.

But the survey found that not everyone views data as essential to their hiring process. Just 71% of companies whose talent and business strategies weren't aligned provide their interviewers with behavioral or cognitive data.

Are your hiring managers armed with objective behavioral and cognitive data on the people they're interviewing?



Non-talent optimized companies



Talent optimized companies

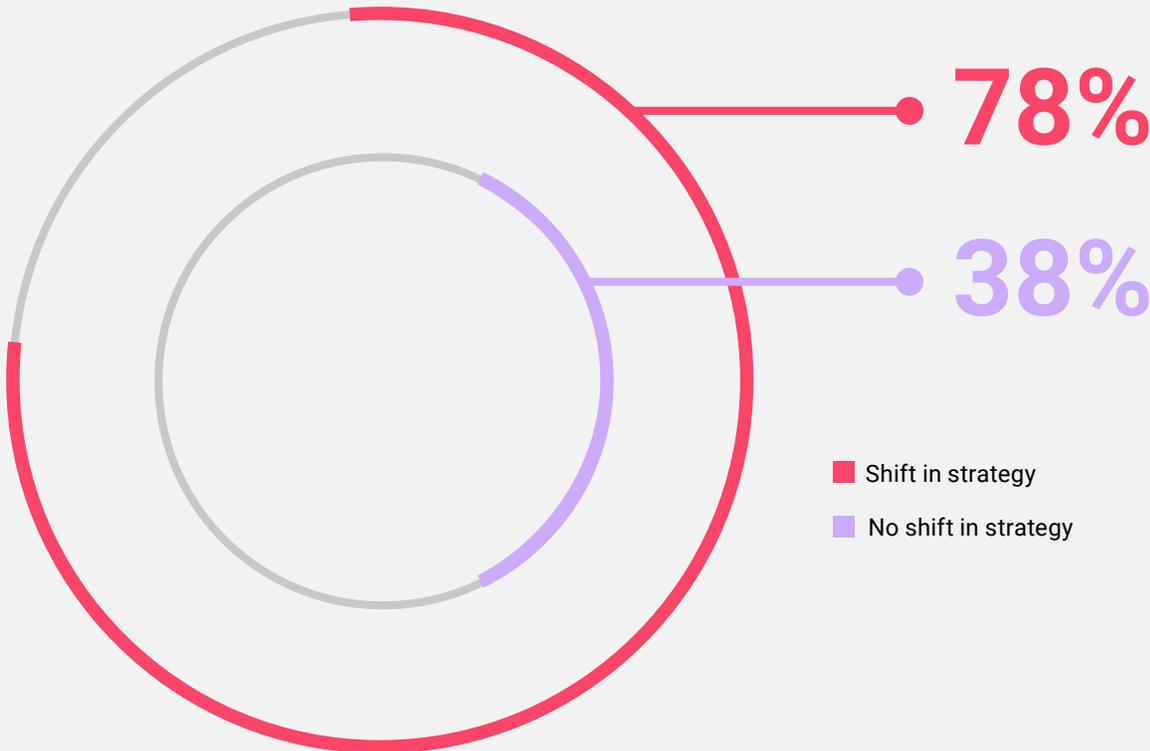
Behavioral data can also help interviewers after a strategy shift.

KEY FINDING

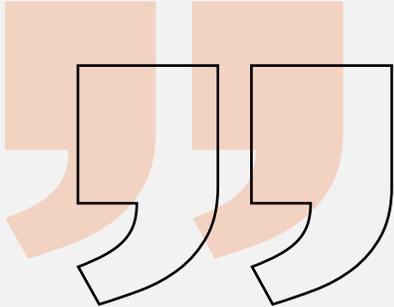
78% of companies who shifted strategy post-COVID confirmed they're equipping hiring managers with objective behavioral data.

Hiring is always a complex undertaking. But just as hiring for team building is of increasing importance, hiring for behavioral fit is even more essential after a strategic shift. Companies who have restructured their teams are leaning into objective data—both behavioral and cognitive—as a way to bring clarity to the interview process.

Are your hiring managers armed with objective behavioral and cognitive data on the people they're interviewing?



What the experts had to say about the role of behavioral and cognitive data in hiring



Keisha Rivers

M.Ed., President at The KARS Group

“When companies invest the time and resources to ensure that their hiring teams understand the behavioral and knowledge requirements for successful candidates in any position, they can craft an approach that is objective and comprehensive. Everyone in a talent optimized company understands the foundational principles inherent in creating job requirements that are based on objective data and represent the needs of the company and position well. With this approach, it’s easy to ensure that everyone is on the same path and perfectly aligned to achieve the desired outcomes.”



Tracie Sponenberg

Chief People Officer, The Granite Group

“It’s no surprise that companies with aligned talent and business strategies arm their hiring managers with data. Data tells a story and helps develop a more complete candidate profile. These data points can help focus interview questions, and arm the interviewer with the information necessary to focus in on potential challenging areas. The Predictive Index assessments are critical for us throughout the candidate cycle, and far beyond.”

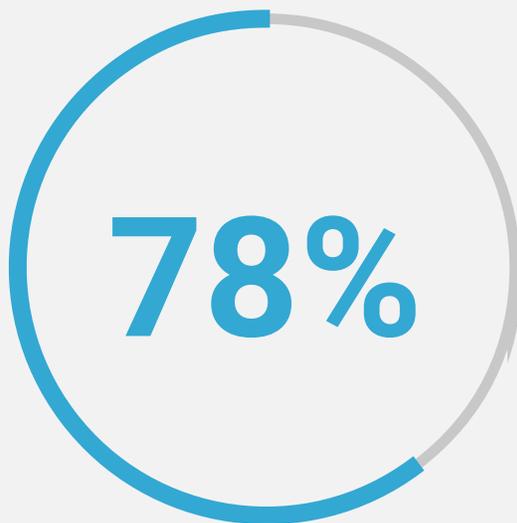
Talent optimized organizations are focused on hiring for team building purposes.

KEY FINDING

98% of talent optimized companies are focused on building high-performing teams in 2021.

As shown on page 27, all respondents struggled with retaining top talent, whether due to the economic effects of COVID, or because of internal dysfunction. Perhaps not coincidentally, talent optimized companies are hiring employees back—with a focus on team building this year.

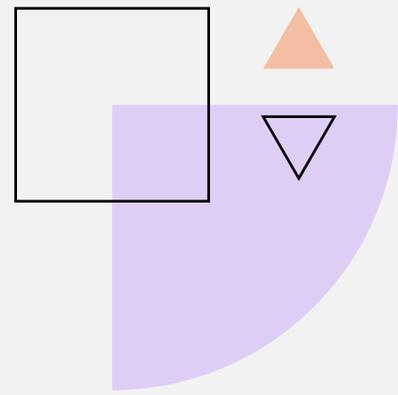
Are you focused on building high-performing teams in 2021?



Non-talent optimized companies



Talent optimized companies



Even with aligned talent and business strategies, team building is a challenge.

KEY FINDING

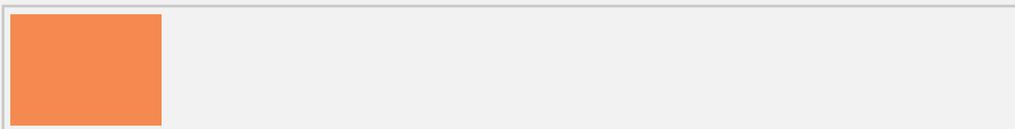
Just 19% of talent optimized orgs say they can anticipate team dynamics.

In addition to evaluating behavioral job fit, it's important to understand how any new addition will affect the existing team dynamics. We asked the panel: *Do you have a credible way of anticipating team dynamics?*

Team building becomes that much more complicated when there's a disconnect between business and talent strategy. Talent optimized companies responded more positively (18%) to this question than those whose strategies weren't aligned (11%). But overall, there's plenty of room for improvement.

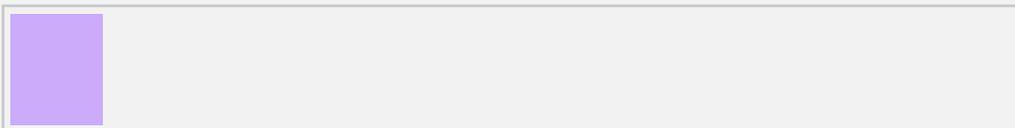
Do you have a credible way of anticipating team dynamics?

Talent optimized companies



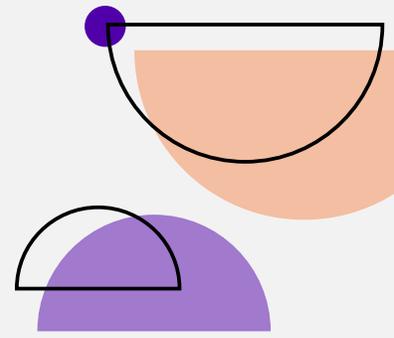
19%

Non-talent optimized companies



13%

Talent optimized companies are more focused on team building through data.

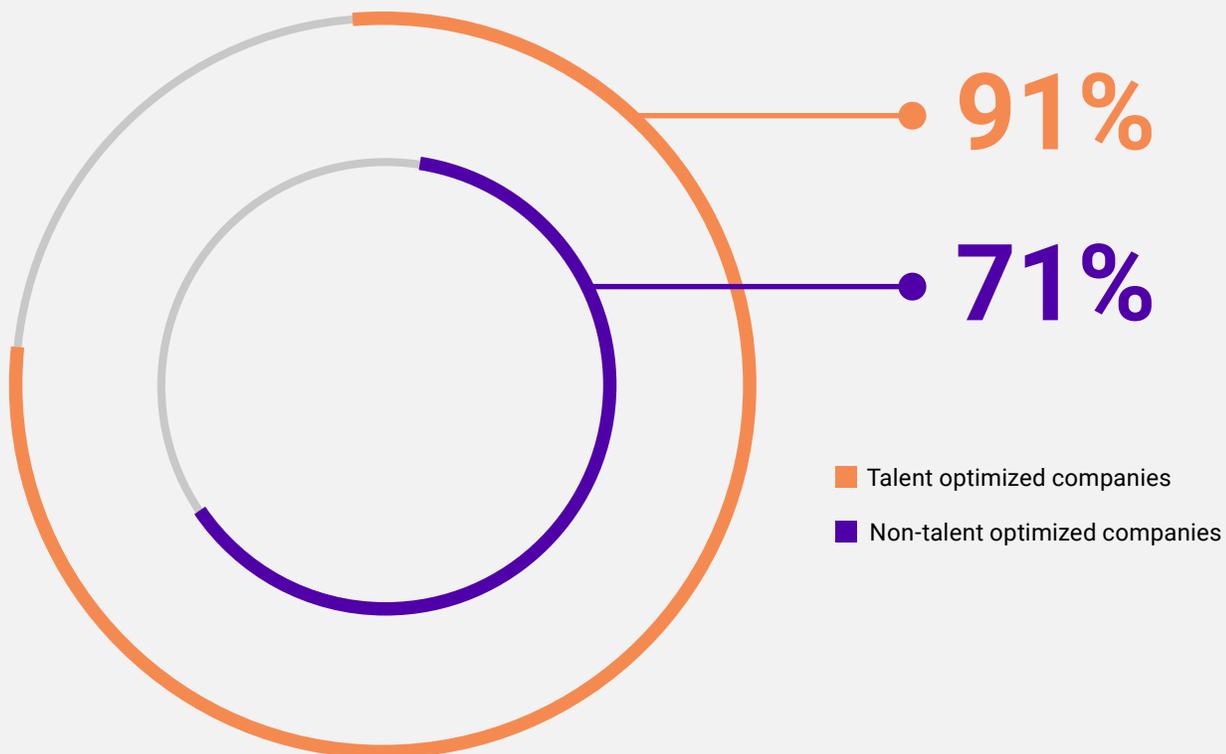


KEY FINDING

91% of talent optimized companies use behavioral data to inform hiring and team building.

Overwhelmingly, talent optimized companies relied on behavioral data for team building. That means considering the behavioral traits of a candidate, but also **how those traits can complement or balance the team they'll be joining**. It's one of the key differences between those who align their strategies and those who don't. Optimizing talent means always considering how it fits within the whole.

Does your company utilize behavioral data to inform team building processes?

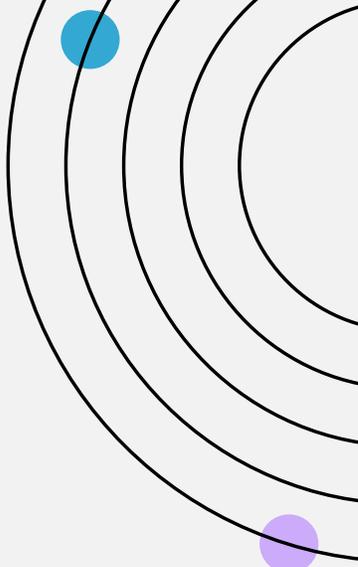
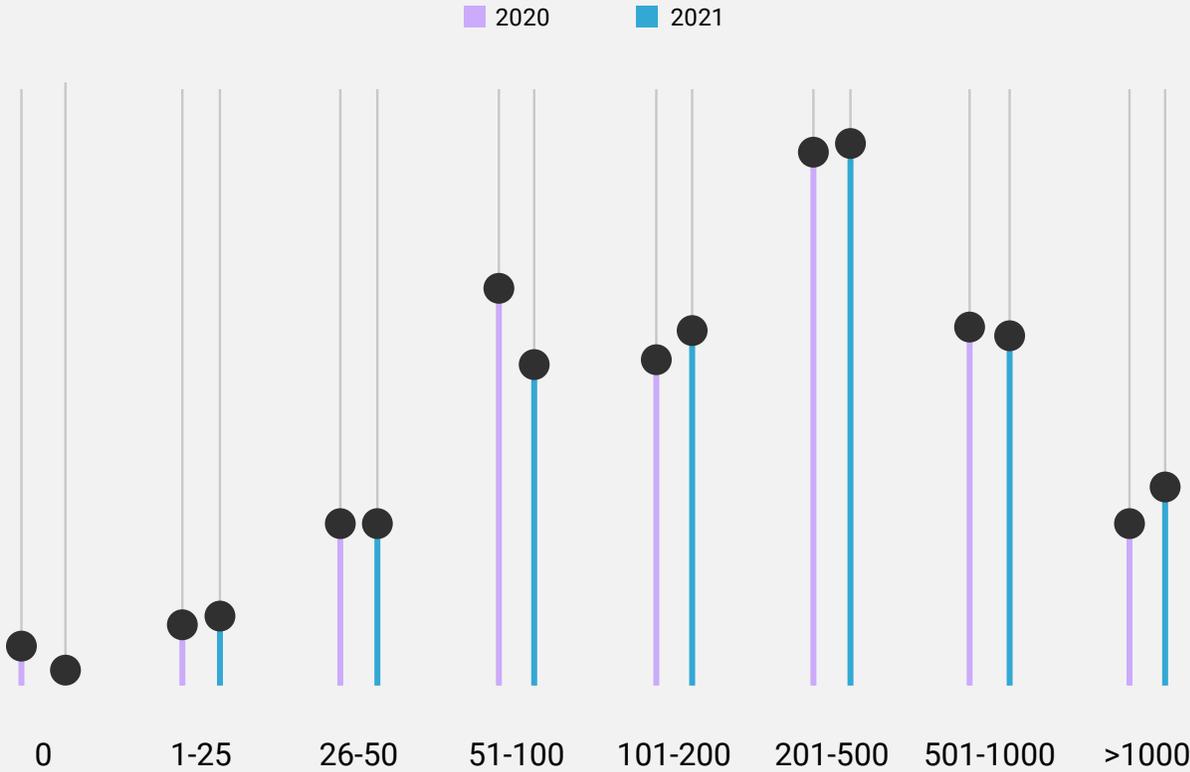
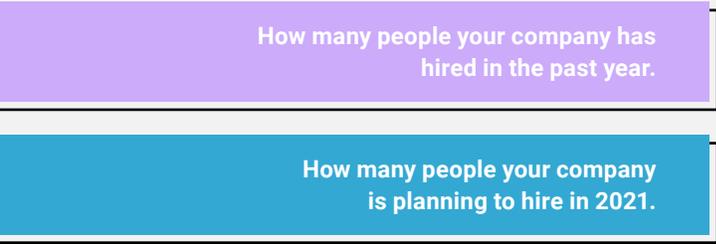


Most companies are planning to hire just as much this year as they did last.

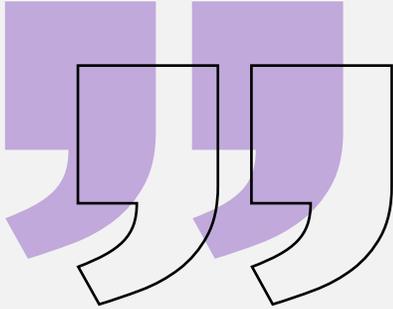
KEY FINDING

73% of respondents said they will hire more than 100 people this year.

That figure represents a four-point increase year-over-year. All things considered, that's a positive sign—companies appear cautious yet optimistic as they emerge from the COVID-induced downturn. Many are picking up where they left off a year ago.



What the experts had to say about hiring and team building during trying business times



Keisha Rivers

M.Ed., President at The KARS Group

“Talent optimization allows you to plan and create strategies to approach business goals, action plans, and desired outcomes. It doesn’t give you a crystal ball into the dynamics of interpersonal relationships that inform team dynamics. Creating effective teams and enhancing team dynamics is still a product of sound leadership, team development, and interpersonal relationships. Those are things that effective organizations still need to spend time and energy to develop separate and apart from their talent optimization strategy.”



Chris Toy

Co-Founder and CEO of MarketerHire

“It makes sense that [almost all TO companies] have effective, repeatable processes for hiring. A big part of scaling any key operation is repeatability and so businesses with a distinct talent strategy would likely start here.”

The background is a light purple color with a pattern of small, semi-transparent grey dots. In the top left, there is a large blue circle with a black outline and a smaller purple dot on its left side. In the top right, there is a large orange hexagon with a black outline and several smaller orange dots inside it. In the bottom left, there is a large pink circle with a black outline and a smaller purple circle with a black outline to its right, connected by a horizontal black line. A small orange dot is also visible near the bottom left of the pink circle.

Inspiring Employees

“When you get those players who change the game, it’s because you spent time really looking at who they are not only as a player but as a person – how are they going to fit in the culture, how are they going to bring better potential out of those around them?”

- Katie Sowers, first female NFL coach in Super Bowl history

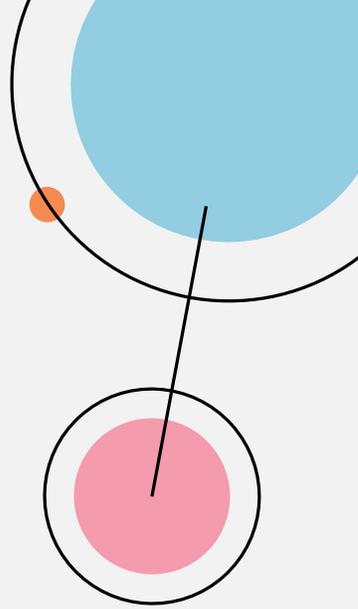
Burnout is real, and managers are at highest risk.

KEY FINDING

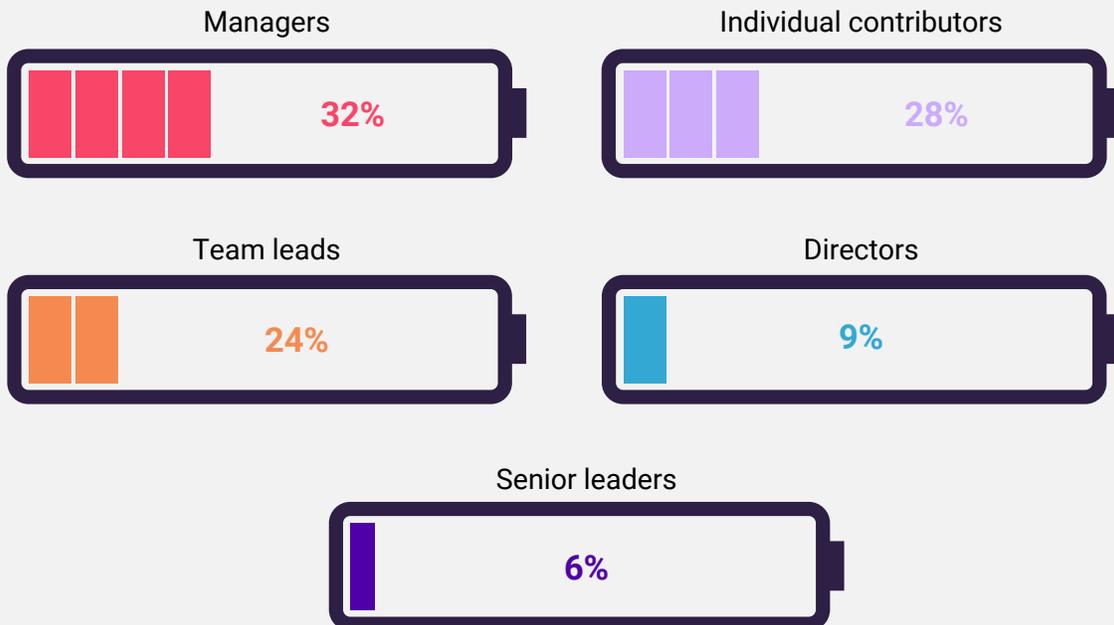
32% of respondents listed managers as the group experiencing the highest level of burnout.

Respondents said the group that experienced the most burnout over the past year was the managerial cohort (32%). Whether companies are practicing talent optimization or not, the toll the past year took on management is a serious concern, as they're on the ground motivating the troops day in, day out.

Management is less engaged and often less equipped to perform their changing roles. There's less of an emphasis on developing managerial skills, putting managers at greater risk of burning out. All of which begs the question: How can they then be expected to inspire others?



Which group experienced the highest level of burnout in 2020?



Talent optimized companies prioritized personal and professional development.

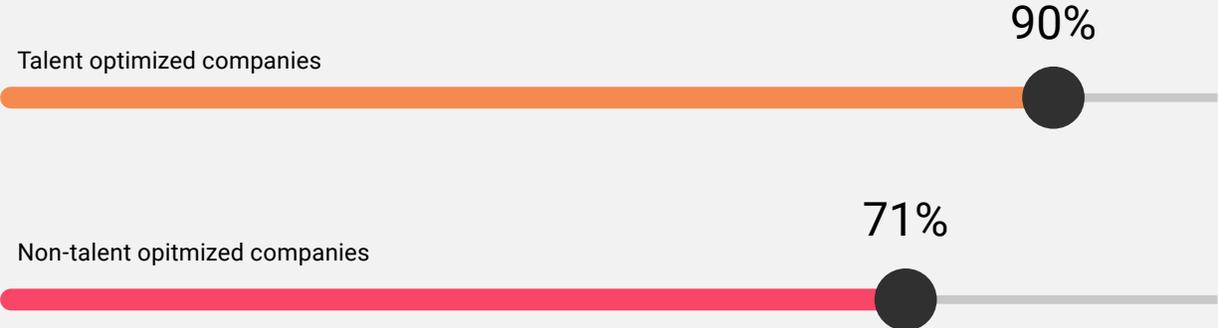
KEY FINDING

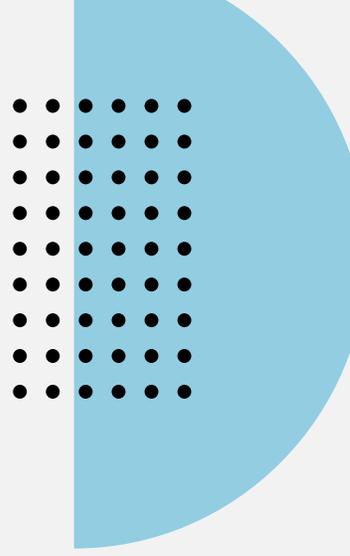
90% of talent optimized companies reported they were able to help employees develop skill sets.

Learning and development are staples of the talent optimization discipline. A good talent strategy promotes leadership at all levels of the organization—even amid adversity. Talent optimized companies largely stayed true to that maxim, **developing employees' skills sets at an almost 20% greater rate than companies without aligned talent and business strategies.**

Building an engaged, high-performing workforce isn't just about maximizing people's strengths in the short term. It's also about optimizing their skill sets with the long view in mind.

Did your company manage to help employees build out their skill sets?





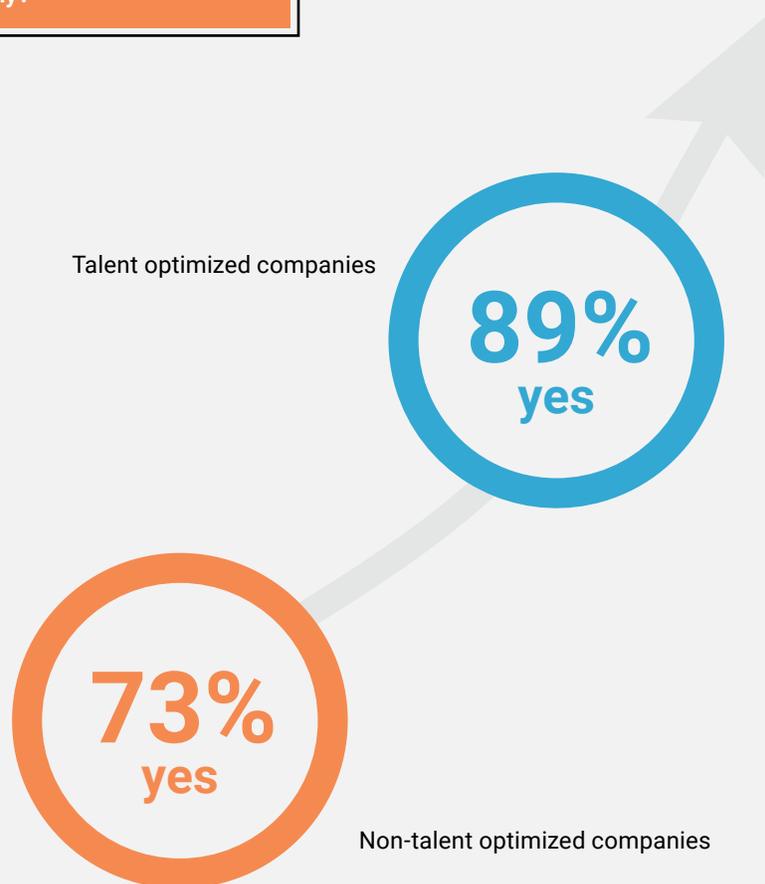
Talent optimization still afforded upward mobility.

KEY FINDING

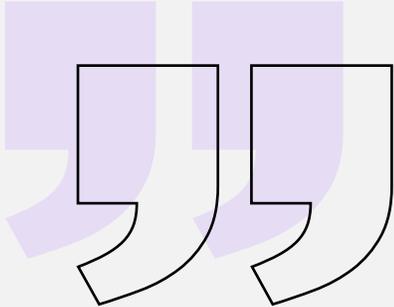
89% of talent optimized companies said employees were still able to move up within the company

Similar to employee development, internal promotions remained a priority for talent optimized companies. Even amid hiring or salary freezes, moving up remained a possibility. The majority of talent optimized businesses still promoted their deserving people. At companies without aligned strategies, promotions still happened—at a 16% lower rate.

Were employees still able to move up within the company?



What the experts had to say about manager burnout and resilience



Tracie Sponenberg

Chief People Officer, The Granite Group

“If you don’t understand your people, it is very difficult to understand how to help them develop, and impossible to align your people and business strategies.”



Chris Toy

Co-Founder and CEO, MarketerHire

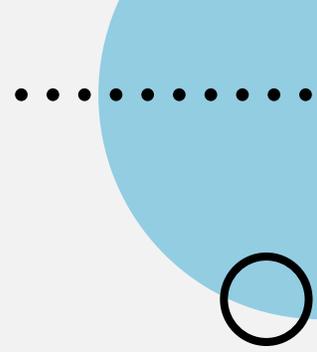
“The manager level is often the bridge between individual contributors and first roles managing teams and/or more responsibility. It’s also where a lot of work piles up. These transition roles are always difficult where employees and companies are learning a lot about themselves and their talent.”

The background features a light orange color. In the top right, there are two overlapping circles: a larger purple one and a smaller orange one. A black arrow starts from the top of the purple circle, loops around, and points towards the top right. A small orange dot is on the left side of the purple circle. In the bottom left, there is a large pink circle with several black diagonal lines crossing it. A small blue dot is on the left side of the pink circle.

Diagnosing employee engagement

“Acting on the results of engagement surveys requires time and thoughtfulness. Note what is happening not only with the team, but the organization and the country, when trying to determine how frequently to run them.”

- Maribel Olvera, SVP of Operations at The Predictive Index



Even during a pandemic, monitoring engagement wasn't an across-the-board priority.

KEY FINDING

Just 51% of respondents regularly diagnosed the employee experience.

For many companies, the post-COVID pivot triggered a renewed focus on employee engagement. But not everyone made evaluating the employee experience a priority. And that left burnout—particularly among managers and individual contributors—as the **largest lurking threat to productivity.**

Despite major strategic shifts and the general toll of the pandemic, the survey found that monitoring engagement was not standard practice. Roughly half of respondents admitted they didn't prioritize gauging employee sentiment. And a similar share doesn't know what drives their employees' engagement, or how to benchmark engagement data.

Which of the following statements is true?

51%

We regularly diagnose our employee experience/employee engagement data.

49%

We're able to benchmark our employee experience/employee engagement data against other companies.

49%

We know what's driving engagement among our employees.

27%

We know what's driving disengagement among our employees.

25%

We are able to analyze the engagement of high performers vs low performers.

Talent optimized companies are more in touch with engagement.

KEY FINDING

Talent optimized companies more actively assessed engagement (69%) than companies without aligned talent and business strategies.

Talent optimized companies are monitoring engagement more often than non-talent optimized companies (69% vs. 45%), and have a better sense of how to benchmark it.

Which of the following statements is true?

	Talent optimized companies	Non-talent optimized companies
We regularly diagnose our employee experience/employee engagement data	69%	45%
We're able to benchmark our employee experience/employee engagement data against other companies.	58%	46%
We know what's driving engagement among our employees.	61%	46%
We know what's driving disengagement among our employees.	33%	26%
We are able to analyze the engagement of high performers vs low performers.	44%	19%

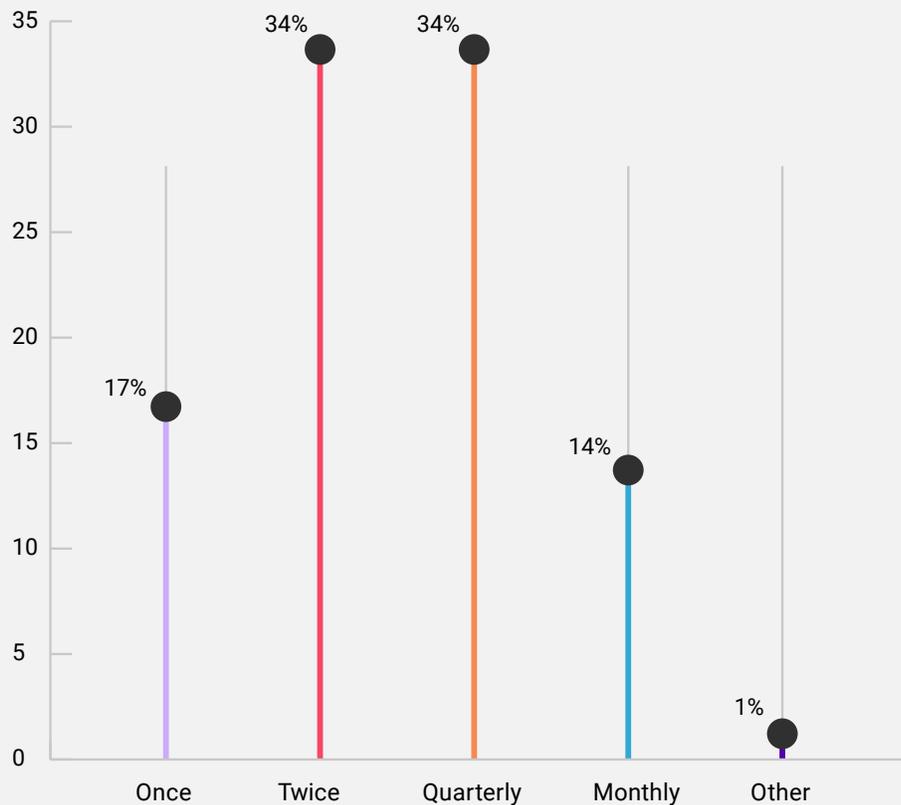
Many companies measured engagement just once or twice.

KEY FINDING

51% of respondents said they measured employee engagement either once or twice over the course of the past year.

Many companies, 17% in this survey, measure employee engagement data just once per year. But in a year as tumultuous as last, it's smart to keep a pulse on engagement more frequently. That way it's possible to stay in front of brewing problems and proactively address them.

How often did you measure engagement throughout 2020?



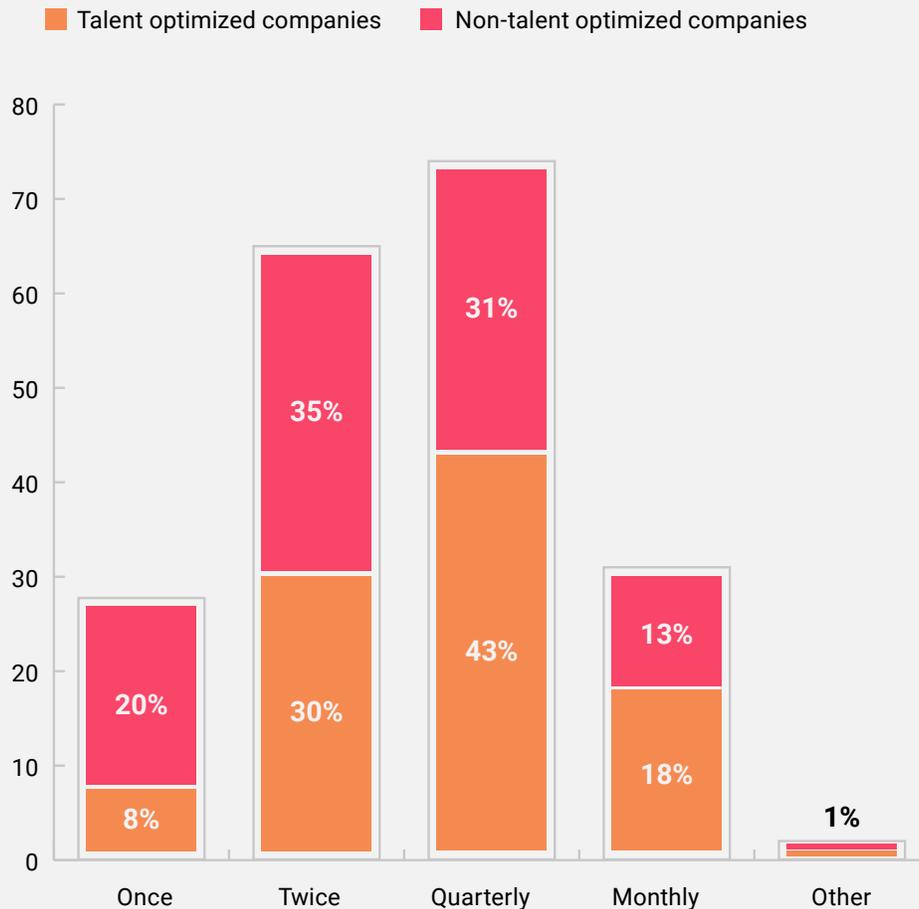
Talent optimized businesses took the pulse of their people more often.

KEY FINDING

61% of talent optimized companies measured engagement at least quarterly.

As you can see in the below chart, most talent optimized companies measure engagement quarterly (43%). Also, 18% measured engagement monthly. Meanwhile, 20% of companies without aligned strategies **measured engagement just once the entire year.**

How often did you measure employee engagement throughout 2020?





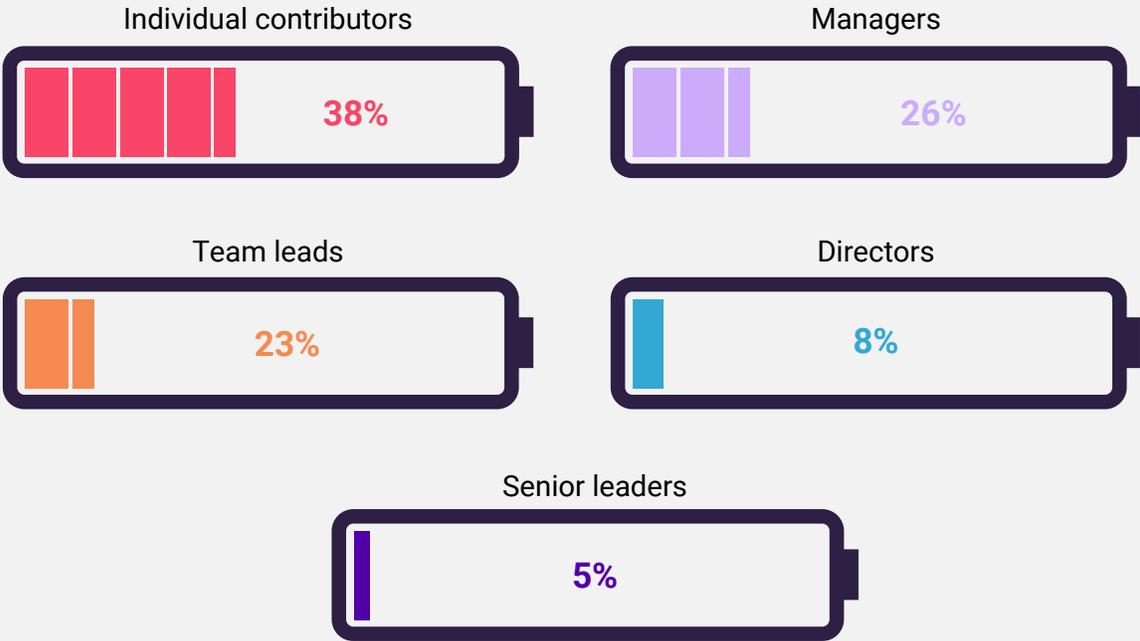
Even though managers are the most burnt out, individual contributors are the least engaged.

KEY FINDING

38% of respondents considered individual contributors to have the lowest levels of engagement.

Engagement levels varied depending on the company, how often they measured it, and by what metrics. A large share of respondents were concerned with manager engagement. As noted, managers were the group considered most likely to burn out. Managers are also key to the engagement of individual contributors—"manager fit" is one of the four forces of disengagement—which may help explain why ICs were deemed the least engaged group. If managers are burned out, they're less likely to give direct reports their full attention, leaving them disengaged.

Which group experienced the lowest levels of engagement in 2020?



Talent optimized companies recognize they need help with employee engagement.

KEY FINDING

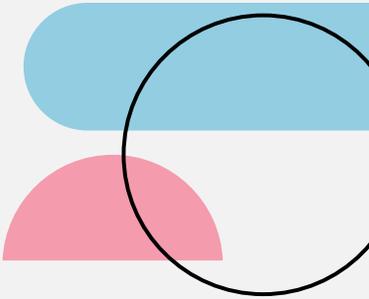
48% of talent optimized companies cited employee engagement as the area they could use the most help with.

Talent optimized companies were generally more attuned to engagement, monitoring it more often and benchmarking it more strategically. So it's not surprising to also find that employee engagement was atop the list when these companies were asked which elements of their talent strategy they could use the most help with. Engagement was cited as the No. 1 area, right there with traditional concerns like succession planning and performance, for talent optimized companies. It's an indication that even as these businesses regularly monitor the issue, they recognize the work to be done.

Where do you think you could use help with your talent strategy?

- Talent optimized companies
- Non-talent optimized companies

Employee engagement	48%	39%
Employee performance	48%	31%
Succession planning	48%	30%
Executive coaching	48%	39%
Executive team alignment	40%	25%
Team building	43%	24%
Leadership development	37%	30%
Diversity, equity, and inclusion	34%	13%
Post-hire talent management	30%	18%
Pre-hire selection	28%	24%
Organizational design	28%	13%
Culture	12%	6%



Other companies feel engagement is steady, despite not necessarily knowing what drives it.

KEY FINDING

50% of respondents said engagement “was generally strong” over the past year.

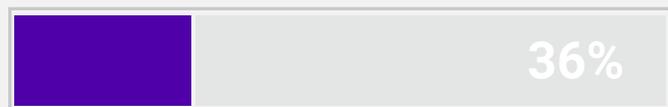
Companies that are diagnosing engagement are fielding more negative data. That’s part of the process. But they at least have an indication of what’s going on—and data points against which they can benchmark going forward. And even though roughly half of respondents admit they’re not measuring engagement regularly (and don’t know what drives it or how to benchmark it), they think their engagement is consistent year over year.

Which of the following best indicates your company’s engagement over the past year?

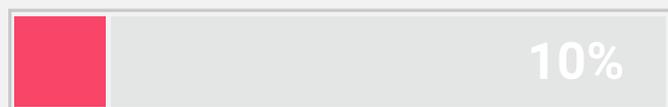
Our overall engagement had some fluctuations, but was generally strong last year.



Our overall engagement remained strong and steady throughout the year.



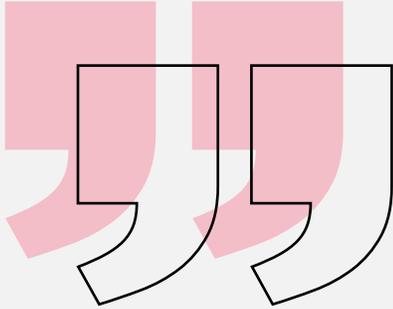
Our overall engagement had some fluctuations and was generally poor last year.



Our overall engagement suffered last year and hasn't gotten much better.



What the experts had to say about monitoring engagement during an exceedingly difficult year



Keisha Rivers

M.Ed., President at The KARS Group

“Actively assessing engagement is a hallmark of companies who understand and value the importance of employee engagement to their success. When companies align their talent and business strategies, they understand how these two things intersect and impact each other. In business, “what gets measured, gets done” so you need to measure all of the things that are impacting your company’s goals and outcomes.”



Kirk Arnold

Executive in Residence at General Catalyst

“Talent optimized companies enjoyed higher levels of financial performance and fewer reductions in force. The lesson is an important one: companies must commit to talent optimization strategies to ensure their employees can remain engaged, aligned, and ultimately resilient in times of unexpected challenges.”



Tracie Sponenberg

Chief People Officer, The Granite Group

“Employee experience may be a buzzword, but it should be more than that. It should be absolutely everything to your company. At The Granite Group, we are working on building a personalized, curated employee experience. And that starts by diagnosing it.”



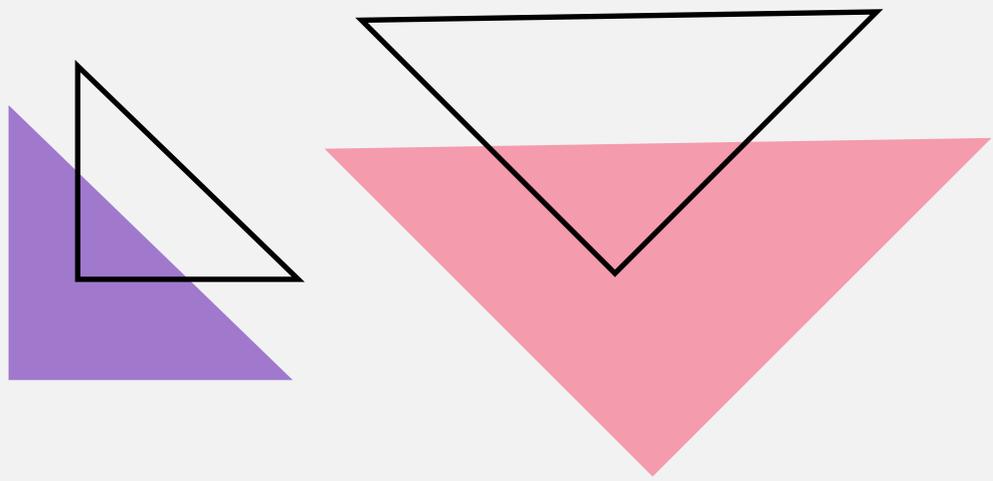
Conclusion

Talent optimized companies spent much of the past year trying to understand and engage their people, and then align them toward their goals. [Talent and business strategies are only as good as the teams who execute them.](#) So while it's promising that more businesses are recognizing the need to put talent strategies in place and align them to the business objectives, there's much work to be done.

More companies are leveraging behavioral data or artificial intelligence in their hiring practices, but engagement remains an uphill battle.

Many businesses are only just beginning to monitor it, and many more remain unsure of how to do so. As remote work reigns indefinitely, battling burnout and disengagement will be a matter of putting people first.

That means no longer kicking the can down the hall to HR (if there even is a hall). In 2021, talent optimized companies know that a sound people strategy is everyone's to own. And only by giving talent strategy the same attention as they do the revenue and growth goals will they ultimately optimize their talent—and their organizational potential.



Have you prioritized **talent strategy**—and aligned it to business goals?

PI's suite of talent optimization tools helps executives, HR teams, and senior leaders get on the same page. With strategic alignment, they can keep a better pulse on engagement and productivity, and be more resilient amid any future storm.

Gain the competitive edge.

[Request demo](#)



Study methodology

This report was developed with scientific rigor.

Good surveys begin with identifying the population of interest. Because we wanted to explore the practices of people who directly set and influence business and talent strategies, we partnered with an organization that specializes in surveying executive audiences. The research sample was restricted to executives at the vice president level or above at companies with at least 50 employees that are based in the United States. We collected complete responses from 600 executives. After examining the data for careless responding, we removed 85 cases, resulting in a final sample size of 515. The survey took 15 minutes on average to complete.

We developed the survey questions according to best practices in survey research, ensuring questions were clear, concise, and understandable by people with a variety of backgrounds. Questions had response formats designed to balance the richness of data to be collected with the ease of responding. The content of the questions was selected based on a set of research questions identified by subject matter experts as being relevant to emerging trends in talent optimization practices, as well as the current state of work in the US. Together, all of this encouraged participant engagement and high-quality responses while collecting in-depth information about talent optimization practices.

All analyses were conducted using Microsoft Excel. Frequencies were calculated for each item with the entire sample. Further, the sample was grouped based on several characteristics including:

- Whether or not the company had a reduction in force
- Whether the company had shifted its strategy in response to COVID-19
- Whether the company intentionally aligned business and talent strategies.

The data were coded based on group membership for each of these variables. Frequencies were then produced for each item within each group, permitting us to visually compare groups of interest.