



2023 REPORT

The State of Talent Optimization

4 Strategies To Rise Above Today's Talent Challenges



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Let's break the ice. Today's talent economy is highly unpredictable.

Yet facing it will only be more challenging if you don't acknowledge a simple truth: you cannot separate business and talent.

For too long, companies have thought about business and talent separately when, truthfully, the two are inextricably linked. You can't succeed in one without the other, and to optimize your business, you need to get the most out of your talent.

Proactive companies are now moving on from The Great Resignation and the era of quiet quitting and moving into the era of talent optimization. Forward-thinking leaders in these organizations are also actively taking steps to create workplaces where employees want to stay—no matter what comes next.

In a recent survey of HR executives from The Predictive Index and HR Dive, results show a desire to hire smarter, avoid attrition, and improve company cultures. The data also presents key opportunities where companies can overcome today's HR challenges by optimizing talent.

This report presents the strategies you need to rise above uncertainty.



What is talent optimization?

Talent optimization is a business framework that guides leaders on how to extract sustainable results from their companies by aligning talent strategy with business strategy.

“Talent optimization involves figuring out the way that people like to work, what jobs you have to do, and making sure that those things are aligned while also ensuring that you’re getting the best out of your people,” explains Jackie Dube, the Chief People Officer at The Predictive Index. “It’s also about ensuring your people are engaged in their work, and that your company culture is evolving into something positive.”

When you optimize your talent, you optimize two things: the performance and the experience.

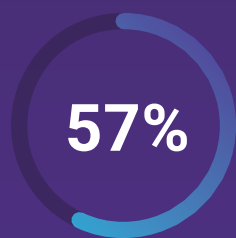
“We need high-performing people, and we need people whose experience and engagement are also high. From there, know that whatever you measure will be better in the talent-optimized version.”

MATT POEPEL, PHD

The Predictive Index’s VP of Professional Services and Author of *Expand the Circle*

Talent challenges taking up HR's headspace

Today's HR landscape is riddled with challenges, and too many HR teams need more support and adequate resources.



Our report shows you're not alone. More than half of HR executives **say their companies could use support with talent acquisition and retention.**

“Every business problem is a people problem but, by corollary, that also means every business opportunity is a people opportunity.”

MATT POEPEL, PHD

The Predictive Index's VP of Professional Services and Author of *Expand the Circle*



Hiring with (un)certainty

Hiring is a task, but hiring well is a skill. Our survey showed that **64% of HR executives report the biggest roadblock to hiring top talent is finding qualified candidates**. Finding the right talent has become increasingly more challenging, but that also leaves room to optimize the hiring process.

For example, only **33% of hiring managers say they are equipped with objective behavioral and cognitive data on the candidates they are interviewing**—a clear opportunity to introduce [behavioral science](#) into hiring.

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Leading with(out) purpose

33%

of businesses have a talent strategy that aligns with their business strategy.



36% of businesses believe they have the right executive team in place to execute that business strategy.

Purpose has become business jargon rather than a business best practice. Our research shows that only **33% of businesses have a talent strategy that aligns with their business strategy**. Moreover, only **36% believe they have the right executive team in place to execute that business strategy**.

This leaves room for companies to put their purpose into action by aligning the business with the people. Doing so also ensures that the right team is in place to execute, thereby overcoming both challenges.



24% of HR leaders have a credible way of anticipating team dynamics when building teams.



33% of managers take individual workstyles into account when interacting with others.



Building (un)cohesive teams

Sometimes you can have the best talent around but still not get the results you want. It could be that your star talent is on the wrong team, and productivity, engagement, and innovation could all be improved if you have insights on how to build dream teams that are inherently set up for success.

Currently, less than a quarter (**24%**) of HR leaders have a credible way of anticipating team dynamics when building teams. At the same time, only **33%** of managers take individual workstyles into account when interacting with others. Meaning: there's room for improvement.



38% of HR execs say their companies could use help with employee retention.



19% say they could use support with employee engagement.



Keeping people (dis)engaged

Findings show that more than a third (**38%**) of HR execs say their companies could use help with employee retention, and two in ten (**19%**) say they could use support with employee engagement.

Employees are burned out, quiet quitting, or just flat-out quitting. Installing superficial solutions could feel like a win when trying to solve this with limited support and resources. But that's only temporary, and the real opportunity and long-term solution lies in [diagnosing disengagement](#) to fix it.

(Now would be a good time to exhale if you haven't yet.)

Yes, it's a challenging terrain out there in the world of HR, but if you take steps to optimize your talent, it doesn't have to be—and our data backs this up.



4 data-driven strategies to optimize talent in 2023

“We think about our business strategy, and we fall in love with the technical and operational bits, and we think about new products and metrics and numbers, and we act as if people aren’t what make it all happen,” notes Dr. Poepsel.

“We must change how we interact to do right by our people—and see results.” To help you do both, our survey identified four tangible steps to help you begin optimizing your talent in 2023.

- 01 Invest in your employees**
- 02 Create a flexible, inclusive culture**
- 03 Double down on well-being**
- 04 Create alignment around your mission**

01 Invest in your employees

Investing in your people means investing in your business. Many employers only think of compensation when they think of investing in employees. And while pay is important (more on that below), it's not the only way to invest in your teams.

However, beware of investing in a silo or exclusively at senior levels. "You need to develop leadership capacity at every level of the organization," urges Dr. Poepsel.



49% of HR executives say **creating opportunities for career growth is the top way their company invests in talent.**



30% of HR executives' companies have **adopted or considered being flexible with candidate qualifications, and doing so could broaden the skill set of teams.**

It's also crucial to invest time to find the right role and the right team for your talent by looking at what skills and dynamics they bring to the table to enable their full potential.

“If you hire smart people that are positive and curious, you can train them to do anything. If from there, you match people’s behavioral drives to the job you ask them to do, magic will happen because they’ll have the space to think above and beyond the task.”

JACKIE DUBE
Chief People Officer at The Predictive Index

What To Know About Compensation

52% report that their companies **provide employees with raises** (promotions excluded) annually



40% believe that **getting paid a fair salary is key**



23% **provide raises every six months**



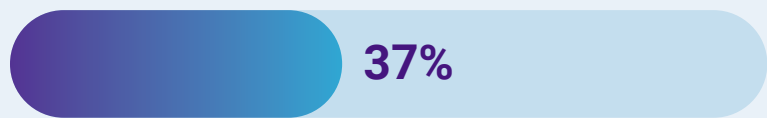
02 Create a flexible, inclusive culture

Flexibility in the workplace

HR executives have **adopted or considered flexible work schedules**



HR executives' companies have **adopted or considered four-day workweeks**



Only a quarter (**26%**) of **HR executives agree that a strong sense of culture is key to employee retention**. To strengthen company culture, two trends emerged in our research: flexibility and inclusivity.

It's become abundantly clear that flexibility is here to stay, and many businesses are now trying new ways to bring flexibility into their workplace outside of a remote office.

Employers also recognize inclusivity as an opportunity area to improve retention.

A whopping 70% of HR executives believe their company could do more to create an inclusive environment where all people and ideas are equally valued.



“We have to stop looking at differences between people with fear and move toward celebrating them. And the only way that happens is when we create an environment of psychological safety where people feel they can show up authentically as themselves.”

MATT POEPEL, PHD

The Predictive Index's VP of Professional Services and Author of *Expand the Circle*

03 Double down on well-being

Forty percent of HR executives believe stress and/or burnout is a major concern or challenge among employees, making doubling down on well-being a no-brainer.

(This is another perk of a talent optimized company because room to recharge is naturally built in.)

Our research also found that the right benefits can also support employee well-being.

One out of three HR executives (**35%**) say the **main drivers of employee engagement at their companies are benefits**

But even as crucial as benefits are, “there’s also so much more you can offer that affects well-being,” says Dube. “It’s autonomy. It’s flexibility. It’s a work environment that is empathetic and open to feedback.”

“We take so much and ask so much from our people that we need to give them time to restore and recharge.”

MATT POESEL, PHD
The Predictive Index’s VP of Professional Services and Author of *Expand the Circle*



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Well-being in the workplace

Thankfully, we see that **32%** of HR executives **believe that physical/mental well-being is a fundamental value within their company.** And we believe companies that prioritize wellness will stand out to top talent moving forward, especially for Gen Z and Millennial workers who emphasize the importance of wellness.



04 Create alignment around your mission

Employees want to work for a company where they believe in what they do day-to-day. To do that, team members need to feel aligned with the company's values and trust the overall mission.

More than a third of HR executives believe the top two valued fundamentals within their companies

are **trust in leadership (37%)** and **belief in the company's mission (35%)**.

"If you hire, build your culture around your values, and stay within those values to deliver on whatever you're trying to achieve, then that really gets people rowing in the same direction," notes Dube.



Only **45%** of HR executives say their companies **have core values aligned with the business strategy.**



Only **50%** of HR executives **have a business strategy.**

“There’s a methodology in talent optimization that I call awareness, insight, action. This methodology allows you to move from total guesswork to knowing exactly how to bend talent to align with business aspirations. Ask yourself: what change will you produce within your people to get a different change in your business trajectory? This methodology helps you answer that.”

MATT POEPSEL, PHD

The Predictive Index’s VP of Professional Services and Author of *Expand the Circle*



Awareness: acknowledge where you’re naturally suited (or not suited) to execute



Insight: analyze how talent strengths and capabilities might show up and impact the work



Action: identify what leaders at each level can do to bring talent strategy in line with business strategy



What to expect from talent optimization

Once talent is optimized, you get to relish in the results.

“Talent-optimized companies see higher revenue, less absenteeism, more productivity, and a better company culture overall,” says Dube. “We also see higher rates of innovation, diversity, and retention. In general, talent optimization creates a great environment where you can attract and retain employees while delivering on business needs.”

Subway has certainly seen that in action. The chain’s high turnover was negatively impacting their customer service. But once the brand optimized its hiring and began hiring employees based on behavioral makeup, it fueled both employees and the business engine. **More than that, employee turnover reduced from 70% to as low as 32%, which saved the team more than \$15,000 a year in training costs alone.**

Whether it is netting \$90 million in savings, sales skyrocketing, or scaling growth, there are data-driven results to be collected by optimizing your talent—and they’re all at your fingertips.



Are you one of the 57% of HR executives who feel their company could've used support with talent acquisition and retention over the past year? If so, PI is here to help.

The Predictive Index (PI) is an award-winning talent optimization platform that aligns business strategy with people strategy for optimal business results. More than 60 years of proven science, software, and a curriculum of insightful management workshops make PI the solution for any company looking to design great teams and culture, make objective hiring decisions, foster engagement, and inspire greatness in their people anywhere in the world. More than 10,000 clients and 480+ partners use PI—including Nissan, Citizens Bank, Subway, Blue Cross Blue Shield, and Omni Hotels—across 90+ countries.

[Learn More](#)

About the report

The 2023 State of Talent Optimization Report was conducted in partnership between HR Dive, a platform that provides in-depth journalism and insight into the most impactful news and trends shaping human resources, and The Predictive Index, an award-winning talent optimization platform that aligns business strategy with people strategy for optimal business results. A total of 159 executives participated in the study, all of whom have Human Resources titles—except for 7% who are CEOs. Of the participants, more than a third have the title of Director of HR, while the second two most popular titles were CHRO and VP of HR. Survey participants span a wide range of industries, with the most common being healthcare, consumer services, and retail. Three in four (76%) of survey respondents work for organizations with 100 to 999 employees, and the findings of this research are based on an online survey conducted during February 2023.

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