



Results – Second half of 2016

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- The Talent Climate Index (TKI) serves as an indicator for the development of the labor market in Germany from a company point of view both in terms of internal and external talents (leaders and specialists).
- Using few precise questions the current situation and the expected trend are ascertained (<http://talentklimaindex.de/>). Biannual surveys enable a long-term evaluation.
- The results of the survey from the fourth quarter of 2016 are presented here, based on a sample of 95 HR experts, managers, and members of the top management:
 - **The forecast of the first half of 2016 was confirmed:** The external talent situation has deteriorated considerably compared to the first half of the year. 64% consider the talent situation to be poor.
 - **Has the situation bottomed out?** The talent situation is not expected to get worse. Somewhat less than half of those surveyed expect a further deterioration. All others forecast an improvement or stagnant development.
 - **Positive commitment of the HR department:** In addition, approx. 70% of those surveyed estimate the current commitment of the HR department (HRD) to be good. However, more respondents currently identify a need for action for the top management and managers with regard to their commitment to talent management.
 - **Challenging role of HR in implementing talent management:** All stakeholders forecast an even stronger commitment of the HR department – thereby reflecting their expectations.

Current situation and expected development

- Current talent situation and expected development
- Commitment situation and expected development

Climate

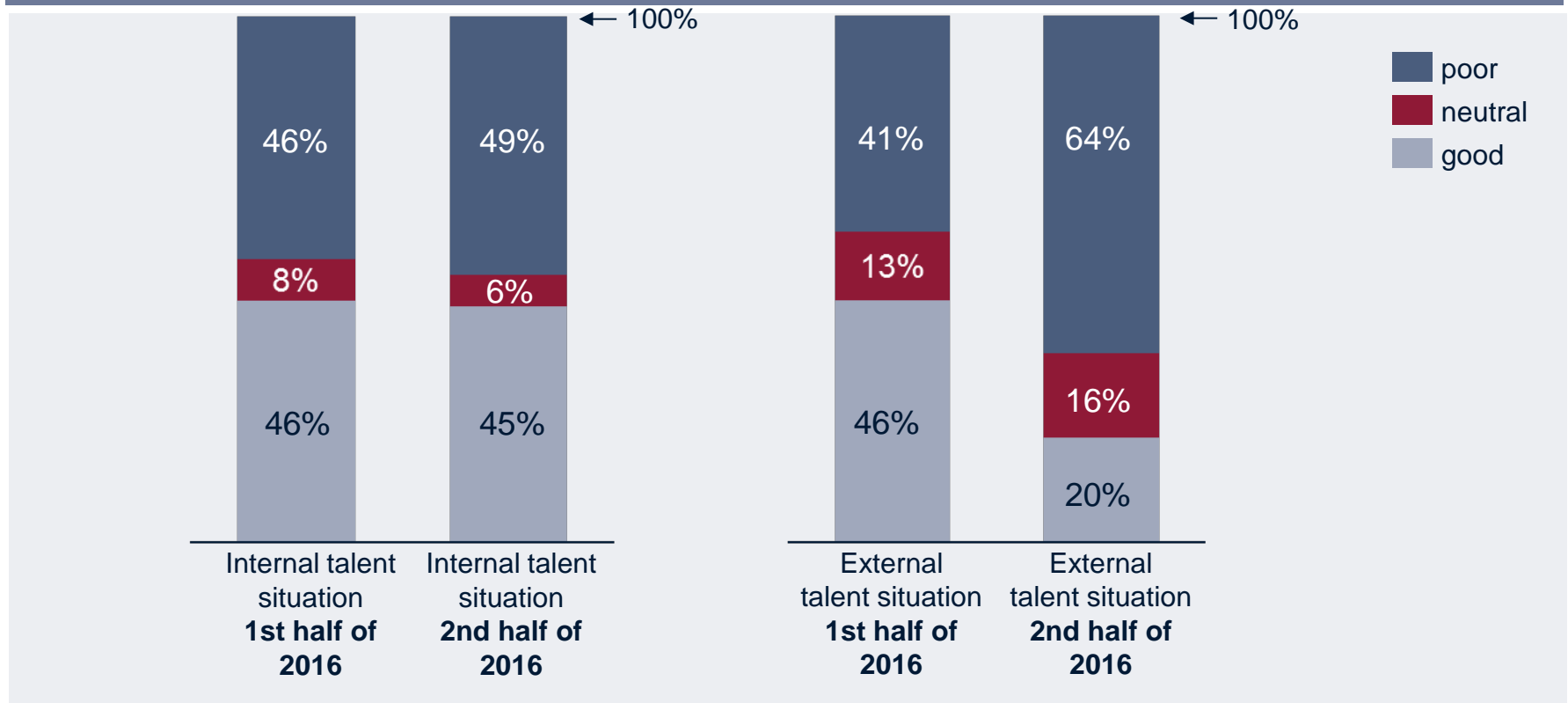
- Talent climate
- Commitment climate

Appendix: Explanations on the TCI and the data collection

Forecast confirmed: External talent situation has deteriorated considerably

While the internal talent situation remains comparatively constant, the external talent availability has deteriorated considerably. The forecast of the first half of 2016 was therefore confirmed. Back then, 63% expected the external talent situation to deteriorate.

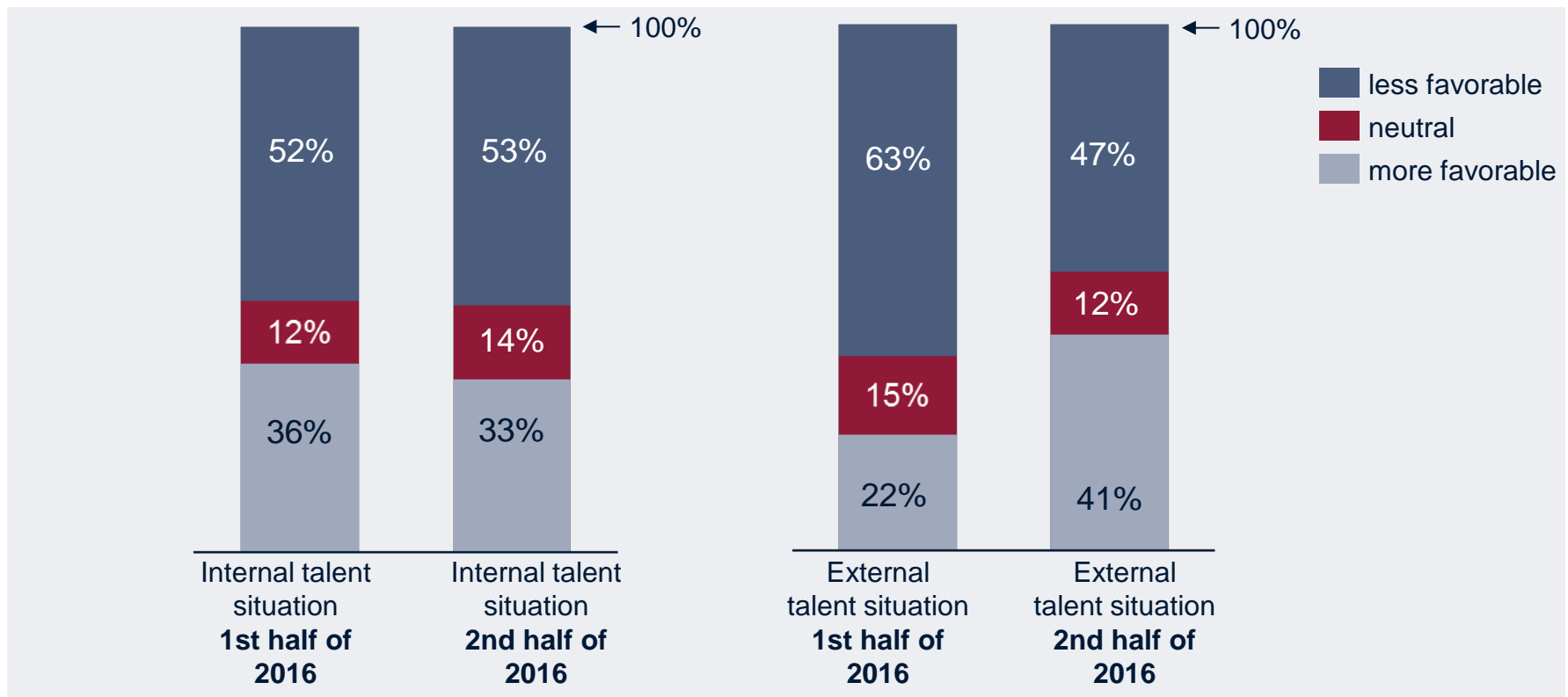
Talent situation: Current availability of talents



Has the situation bottomed out? Expectations less pessimistic

Talent availability on the external labor market has deteriorated considerably, however, the expectations for the future are less pessimistic and point to a stabilization. The expectations concerning the development of the internal talent situation, however, have hardly changed.

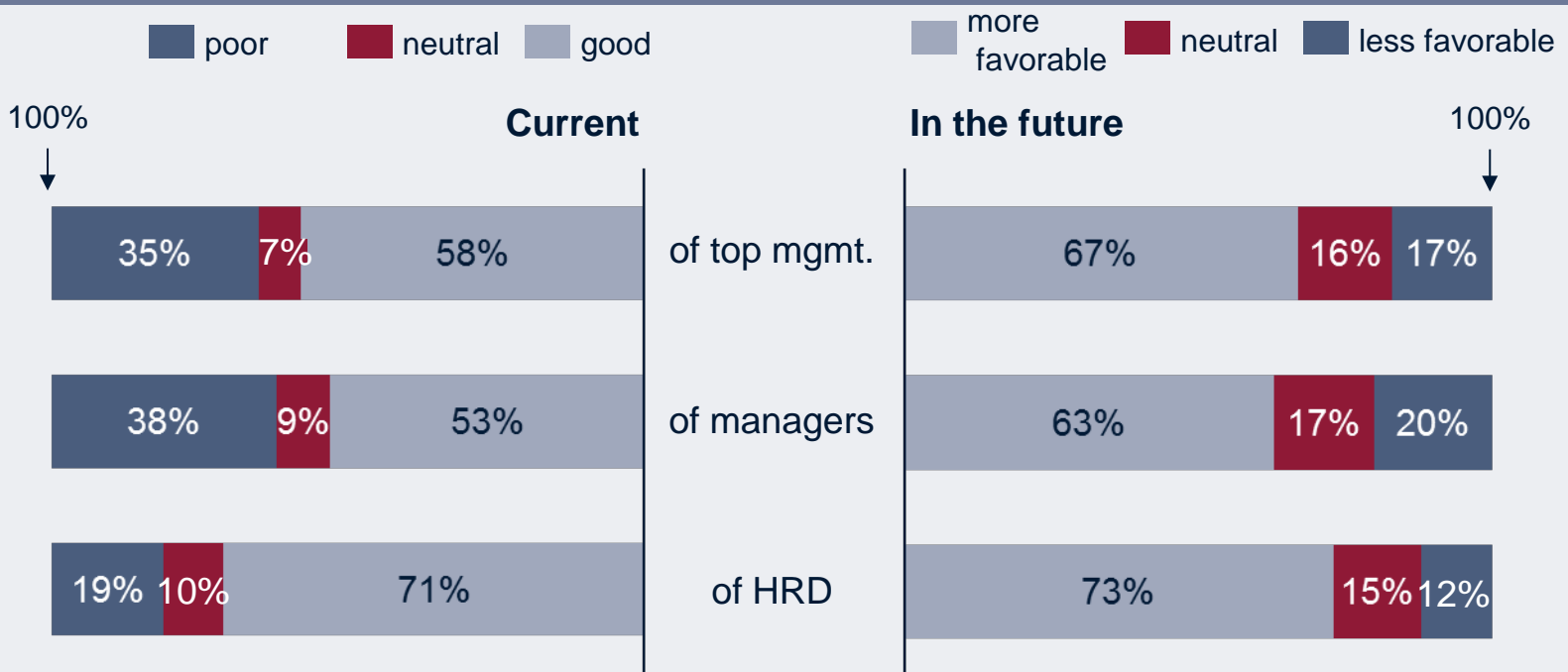
Talent expectation: Future availability of talents



Talent management commitment positive among the HR department above all

The commitment of the HR department is considered positive above all. The commitment on the part of the top management is also well developed, however, compared to the first half of 2016 it is seen more critically. Back then only 27% assessed the commitment of the top management to be poor and only 30% considered the commitment of managers to be poor.

Talent management commitment: Current and future commitment to invest resources (time and money) in talent management



Current situation and expected development

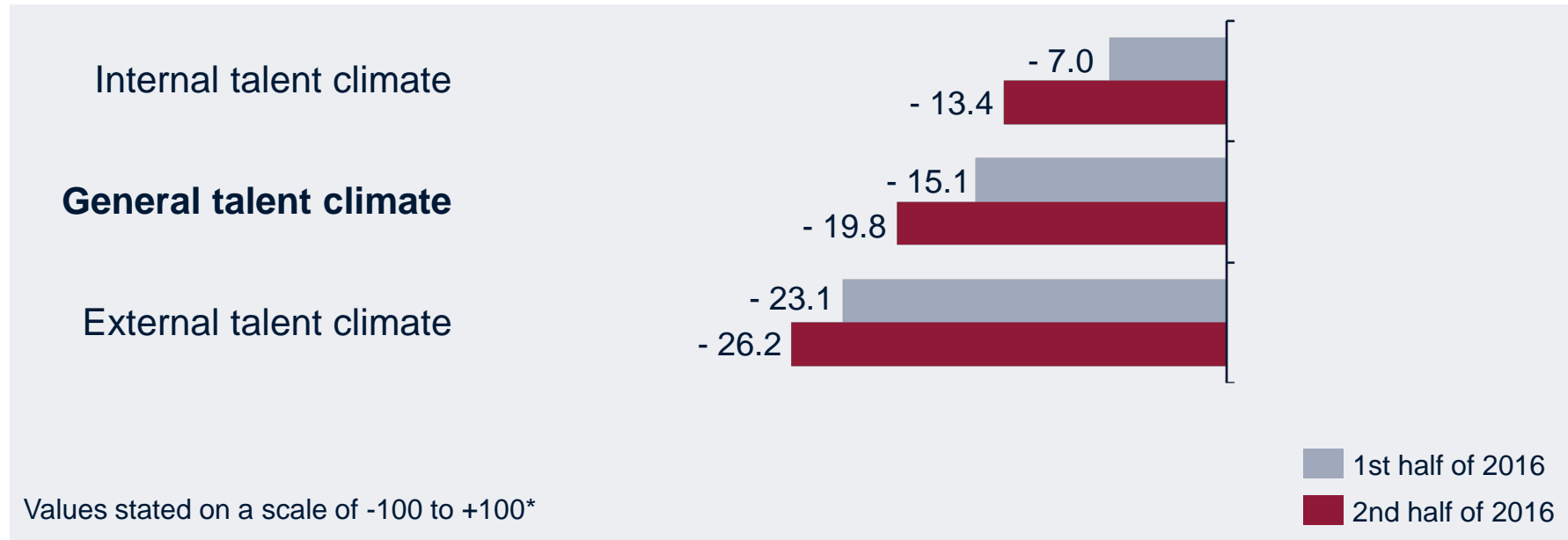
- Current talent situation and expected development
- Commitment situation and expected development

Climate

- Talent climate
- Commitment climate

Appendix: Explanations on the TCI and the data collection

Talent climate deteriorated further

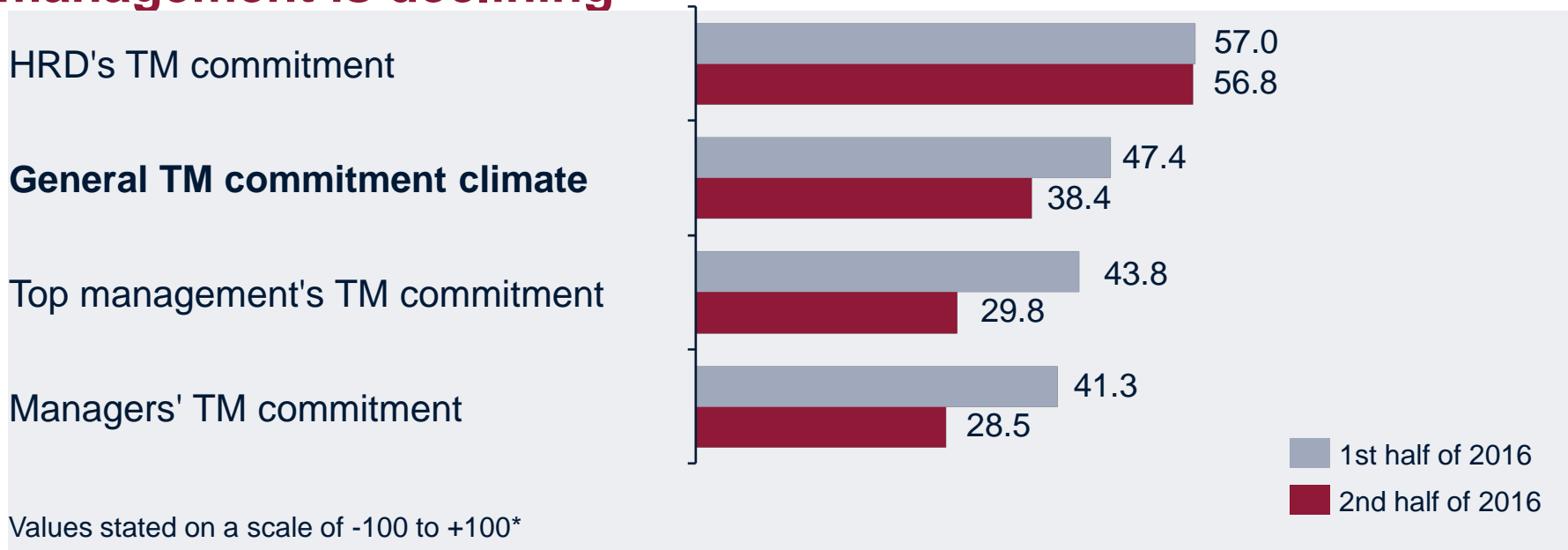


The talent climate has deteriorated further. This is above all due to the internal talent climate, which results from the combination of two minor trends: the internal talent situation has developed slightly negatively. Furthermore, the situation is expected to get marginally worse.

The deterioration of the external talent climate is less pronounced. The current external talent situation is assessed much more critically, however, expectations are more optimistic than before.

* The talent climate results from a combination of current and expected assessments (exact calculation see appendix)
 - 100 means that all those surveyed assess the situation to be poor/expect it to get worse
 +100 means that all those surveyed assess the situation to be good/expect it to get better

The top management commitment with regard to talent management is declining



The deterioration of the commitment climate is essentially down to increasingly critical assessments regarding the top management's and managers' commitment. Cost pressure and an inconsistent implementation of talent management concepts are considered a hindrance for talent management. The HR commitment, however, is perceived to be undiminished and the same is expected for the future.

*The commitment climate results from a combination of current and expected assessments (exact calculation see appendix)

- 100 means that all those surveyed assess the situation to be poor/expect it to get worse

+100 means that all those surveyed assess the situation to be good/expect it to get better

Current situation and expected development

- Current talent situation and expected development
- Commitment situation and expected development

Climate

- Talent climate
- Commitment climate
- Comparison with the initial survey

Appendix: Explanations on the TCI and the data collection and the survey

The Talent Climate Index (TKI) serves as an indicator for the development of the labor market in Germany from a company point of view both in terms of internal and external talents.

Using few precise questions the current situation and the expected trend are ascertained (<http://talentklimaindex.de/>). Biannual surveys enable a long-term evaluation.

Subject areas of the questionnaire

- Internal talent management:
 - The availability of talents for key specialist and leadership positions in the internal labor market – currently and in the future
 - The company's ability to identify and develop internal talents
- External talent management:
 - The availability of talents for key specialist and leadership positions in the external labor market – currently and in the future
 - The company's ability to attract external talents
- Talent management commitment: The commitment to noticeably invest time and money in external and internal talent management

TALENT CLIMATE INDEX (TCI)



The questionnaire is very brief on purpose – it can be fully completed within a few minutes under: <http://talentklimaindex.de/>

TALENT CLIMATE INDEX

25%

Internal talent management

I consider the availability of talents for key specialist and leadership positions in our internal labor market to be:

a. currently

extremely poor excellent

b. in future

significantly less favorable significantly more favorable

I assess our company's current ability to identify and develop internal talents (due to tools, processes, management behavior, etc.) to be:

extremely poor 50% excellent

My comment regarding internal talents:

TALENT CLIMATE INDEX

75%

Commitment

I assess the commitment with regard to talent management (= the willingness to noticeably invest time and money in external and internal talent management) on the part of the...

	<u>Currently:</u>	<u>In future:</u>
Management/CEO to be	extremely poor excellent	significantly less favorable significantly more favorable
Managers in general to be	extremely poor excellent	significantly less favorable significantly more favorable
HR department to be	extremely poor excellent	significantly less favorable significantly more favorable

My comment concerning our commitment with regard to talent management:

Calculation of the talent climate on the basis of balances

The basis for the balance computation is the coding of the answers:

0-49% = poor/less favorable

50% = no consideration in the formula

51-100% = good/more favorable

Balance situation = good – poor

Balance expectations = more favorable – less favorable

Talent climate = $\sqrt{(situation + 200) \times (expectations + 200)} - 200$

Value range:

Values stated on a scale of -100 to +100

Example: -100 means that all those surveyed assess the situation to be poor/expect it to get worse

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