



DEMYSTIFYING TALENT INTELLIGENCE:

UNLOCKING THE POTENTIAL WITH SKILLS & AI

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INTRODUCTION

Talent Intelligence is one of the fastest-growing categories of HR Technology. It represents the pinnacle of advancements in this industry over the past few years, blending experience, personalization, skills, and AI. It offers companies the opportunity to gain deeper insights into talent by enhancing and aligning both talent acquisition and talent management initiatives. In August 2023, Aptitude Research conducted a “Talent Intelligence” survey that received responses from over 100 CHROs, a participation rate nearly three times higher than that of C-level executives in previous surveys. The interest in Talent Intelligence is clearly driven by HR leadership.

Despite the demand for Talent Intelligence, there is confusion surrounding its definition and function. Every provider with data access seems to be entering the market with some form of Talent Intelligence, further complicating the information landscape.

According to Aptitude Research,

72% of companies are increasing their investment in Talent Intelligence this year, yet:



28% do not know how to clearly define it.

27% are unsure about the solutions offered by providers.

True Talent Intelligence significantly impacts both employers and individuals. It has the potential to revolutionize how companies approach talent acquisition and retention by offering profound insights through the use of skills and AI, ultimately supporting agile work environments. Additionally, it allows employees and individuals to be recognized for their complete potential and learnability, creating more opportunities for career development, equity, and enriched experiences.

However, to realize these objectives, companies must navigate the clutter and misinformation and unite around a cohesive message regarding what Talent Intelligence entails and the value it brings. This report, based on data gathered by Aptitude Research in August and September of 2023, aims to standardize the definition of Talent Intelligence and address the following questions:

WHY is Talent Intelligence so critical today?

Understanding the key drivers for Talent Intelligence

Defining Talent Intelligence

Investing in a Skills-Based Strategy

Understanding the Business Impact of Talent Intelligence

HOW are companies using Talent Intelligence to drive business outcomes?

Identifying use cases for Talent Intelligence

Unleashing the power of skills

Investing in AI for Good

Investing in the Right Technology



Quantitative Research:

358 responses for TA and HR VP Level,
Recruiters/Sourcers, and IT Professionals.

Company Sizes:

- 18% (250-999ees)
- 22% (1,000-4,999ees)
- 28% (5,000-9,999ees)
- 32% (10,000ees+)

Qualitative Research:

Interviews with TA and HR leaders in
2022 and 2023



KEY TAKEAWAYS



Lack of Understanding and Misrepresentation:

Companies lack clarity on what Talent Intelligence is and what capabilities to consider. This study found that 72% of companies are increasing their investment in Talent Intelligence and only 28% are clear what it is and only 27% know the providers that offer solutions. Aptitude Research analysts found that over 100 vendors across talent acquisition, people analytics, and talent management are using "Talent Intelligence" to support their go to market messaging yet only a handful offer a true platform. The misuse and misrepresentation of Talent Intelligence by the vendor community negatively impact this area of technology.



Disconnect with Senior Executive Leaders:

This study identified a significant disparity between HR's enthusiasm for Talent Intelligence and the backing provided by senior executive leadership (SELs). This disconnect can be attributed to a fundamental lack of comprehension. When HR struggles with the definition of Talent Intelligence, bridging the gap with SEL in terms of understanding its essence and the necessity becomes challenging. Surprisingly, only one in three HR leaders report that SEL actively requests Talent Intelligence, with a mere 18% indicating that SEL initiates discussions on Talent Intelligence.



Stuck on Skills:

The success of Talent Intelligence relies on a skills-based approach. Talent Intelligence is not simply having access to employee or talent data, it provides insights into the true potential, skills, and learnability of that talent. Skills provides the deeper meaning moving past the "what" to the "so what?". Over 60% of companies state that skills are the top capability for Talent Intelligence platforms.



Power of Technology:

Companies investing in Talent Intelligence see 2X-3X improvements in quality, experience, and decision-making. Talent Intelligence technology helps companies execute on a skills-based approach to talent. It provides value across the employee lifecycle including talent acquisition, talent management, and employee engagement.



The Demand for Skills Is Being Driven From the Top:

The focus on skills development is being driven by executives and CHROs. According to Aptitude Research, 65% of CHROs say that upskilling and reskilling is the most important priority for 2023. CHROs are two times more likely to be involved in technology decisions that focus on skills than other areas of TA technology, and 75% are interested in talent marketplaces to deliver on a skills strategy. CHROs are setting the course but oftentimes, talent acquisition and talent management must execute the strategy. Realistic expectations and clear communication will help these leaders achieve results and provide a more successful approach to skills.



Skills Unify a Talent Strategy:

With equal pressure to recruit and retain, talent acquisition and talent management often still operate in silos with competing interests. A skills-based approach helps unify talent acquisition and talent management initiatives – providing consistency in data and experiences. Companies must empower their talent teams with a focus on skills. According to this study, companies with a skills-based approach see greater collaboration between talent acquisition and talent management.



Not All Providers Are Approaching Skills the Same Way:

Technology allows companies to scale their approach to skills, provide opportunities and personalization to every individual, and leverage artificial intelligence (AI) and machine learning (ML) to draw deeper insights. Most importantly, it provides context to skills by inferring insights about the individual and employer. Although several technology solutions are aiming to address skills today, not every solution provides value. A successful skills-based approach requires a commitment from a solution provider to build a skills ontology, invest in Talent Intelligence, and apply AI inference so that skills are dynamic and personalized. With companies increasing their investment in skills, they must carefully consider providers that demonstrate expertise.



A Skills-Based Approach Benefits Employers and Individuals:

Skills are not just a benefit to an organization. They give employees the resources they need to manage their careers and provide more opportunities for personalization and inclusivity. To truly understand an individual, however, companies should not stop with skills. They should consider the qualities that will make someone successful and happy in the work they are doing.

PART 1:

WHY IS TALENT INTELLIGENCE SO CRITICAL?

Talent Intelligence has emerged as a critical component for organizations striving to thrive and remain competitive. With digital transformation, shifting workforce demographics, and unprecedented change, the ability to harness and leverage Talent Intelligence has become more important than ever.

Talent Intelligence empowers businesses to make informed decisions regarding talent acquisition, retention, development, and engagement. It provides the foresight and adaptability necessary to navigate uncertainties and capitalize on opportunities in a dynamic business environment, ultimately paving the way for sustained growth and success. In this context, exploring the significance of Talent Intelligence unveils its vital role in shaping the future of work.

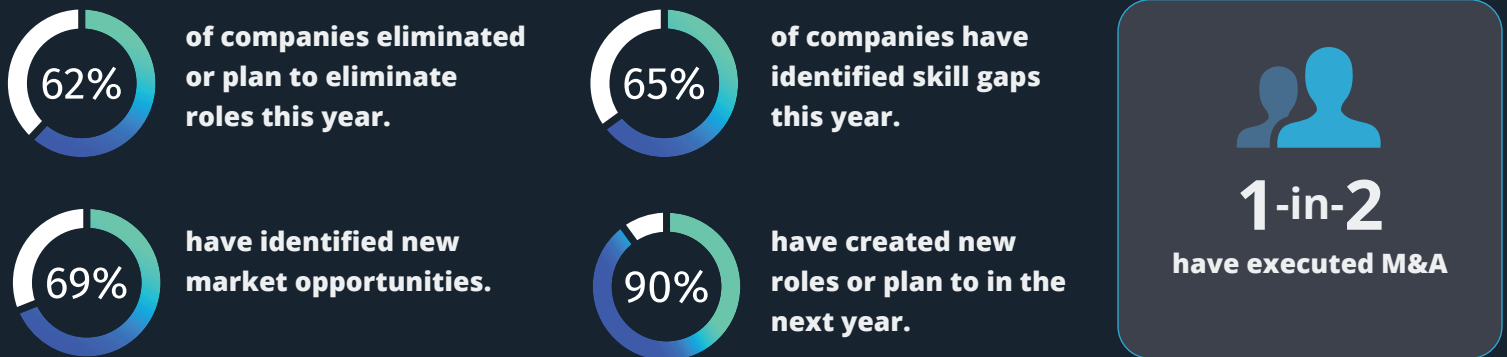
Understanding **Key Drivers for Talent Intelligence**

At many organizations, the increased focus and demand for Talent Intelligence is being driven by HR leadership and CHROs. This study found that 84% of CHROs stated that Talent Intelligence is a top priority for 2024. Below are some of the key drivers influencing.

Shifts in the **Nature of Work**

Over the past three years, companies have had to shift and adjust their talent strategies overnight. Talent Intelligence provides a guiding light to help navigate this change while supporting the needs of both the employer and the individual.

Figure 1: Shifts in the Nature of Work



Talent Intelligence provides a level of preparedness to help organizations adjust to this change.

The Retention Crisis

According to Aptitude Research, one in three companies state that retention is a bigger challenge this year than before the pandemic. In the 2022 Bureau of Labor Statistics report, the overall turnover rate in the United States was 57.3 %, and employees earning wages and salaries averaged 4.6 years with their current employer. So, it comes as no surprise that retention has been the number one workforce priority for companies in 2023 (see Figure 2).

Figure 2: Top Workforce Priorities



Focus on **Quality**

Companies are always looking to improve time to fill, increase recruiter productivity and speed, and improve overall decision-making in talent acquisition. Improved efficiency benefits the candidate as well as the employer by helping candidates receive communication, stay informed, and move through the process. But the reality is that measuring speed is not enough.

The pendulum is swinging back to quality of hire as the number one driver in TA investments in 2023 and 2024 and it was the second most critical workforce priority in this study. One reason is the increased focus on retention. With more business leaders aware of TA tech decisions this year, recruitment serves as the first line of defense for turnover and identifying quality hires early helps organizations prepare for future needs. Talent Intelligence helps companies connect talent acquisition and talent management – linking recruitment and retention goals and focusing on quality.

Defining **Talent Intelligence:**



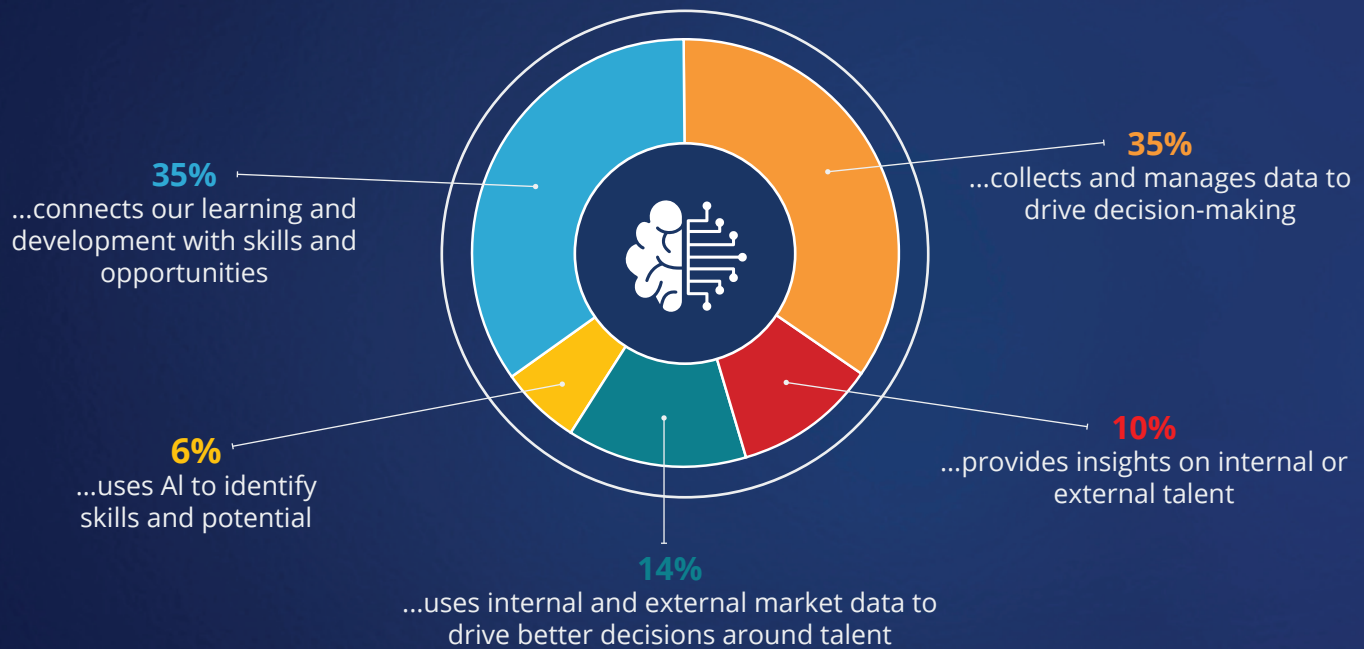
What it is (and what it's not)

One of the fundamental challenges with Talent Intelligence is the lack of agreement and awareness around the definition. Although companies are embracing it as a priority, HR leaders are not clear what it provides or how to define it. Talent Intelligence involves the collection, analysis, and application of AI-driven insights about internal and external markets, including an organization's workforce, potential candidates, and the broader talent market. It leverages the power of skills to draw deeper insights into talent, enabling success across areas that include talent acquisition, talent management, and strategic workforce planning.

Unfortunately, companies have various definitions of what Talent Intelligence is and which providers support these efforts. Thirty-five percent (35%) of companies believe that Talent Intelligence is simply any HR or talent system that collects and manages data to drive decision-making. Additionally, 35% believe it is learning solely focused on learning and development rather than a broader HR or organizational strategy. This definition limits what Talent Intelligence can actually do and the importance of it to overall business success (see Figure 3).

Any HR or Talent Systems That...

Figure 3: Definition of Talent Intelligence



Even more surprising is that only 6% of companies define Talent Intelligence as any HR or talent system that uses AI to identify skills and potential. AI, Skills, and Talent Intelligence are part of the same conversation, driving the same business outcomes. Separating them does a disservice to this critical category and the impact on both employer and individual.

These conflicting definitions help to explain why many senior executives are not bought into Talent Intelligence today the same way they are advocating for skills. Only one in three HR leaders state that SEL's asks for Talent Intelligence and only 18% say SEL's are driving Talent Intelligence discussions.

Any company or HR professional looking to build the business case for Talent Intelligence must start by clearly defining what it is, highlighting the power of AI and skills, and understanding the impact on the business.

Talent Intelligence IS all about tapping into the potential of AI and skills to offer organizations a complete view of their workforce. It is a GPS for HR—collecting and applying data to provide actionable insights in the realms of talent acquisition, development, workforce planning, and management.

Talent Intelligence IS NOT any system that collects or analyzes data, an ATS, a LMS, a performance management system, or a disparate solution.

Talent Intelligence is a platform that unlocks potential.



Moving the Needle on a Skills-Based Approach

It is no surprise that when asked what capabilities make Talent Intelligence most successful, 77% of companies stated skills. A skills-based approach levels the playing field for both internal and external talent. Evaluating skills means looking beyond what is found on a resume or employee profile to get deeper insights about the individual.

Figure 4: *Most Critical Capabilities for Talent Intelligence*



Yet, despite these benefits, companies are not always clear where to start with skills development. Lack of ownership and confusion around how technology fits in have added to this uncertainty. This study found that the greatest challenge for a skills-based strategy is change management (42%) while 39% of companies stated that they don't have a way to assess for skills within their organization. Too often, companies understand and support a skills-based approach but they get stuck on executing a strategy. They take a piecemeal approach to skills and do not look holistically at strategy, change management, and technology. As a result, many skills-based initiatives stop before they start.

Figure 5: Top Challenges with a Skills-Based Approach to Talent



For companies to compete for talent and provide fair and equitable experiences, skills must be part of the equation. Talent Intelligence and the right platform can help companies execute on a skills-based approach — joining strategy, change management, and technology into one holistic approach. The following pages of this report will look at how companies are using Talent Intelligence to support decision-making and experiences across the employee lifecycle, strategies for success, and the impact it has on overall business outcomes.

PART 2:

HOW ARE COMPANIES USING TALENT INTELLIGENCE TO DRIVE BUSINESS OUTCOMES?

As companies increase their investment in Talent Intelligence, they must understand how it is used and what value it creates. Talent Intelligence offers a range of valuable use cases that organizations can leverage to make more informed and strategic decisions regarding their workforce. When put in practice and with the right technology platform, companies see an impact on talent and business metrics.

Understanding the Use Cases for Talent Intelligence

Talent Intelligence is not a point solution or an isolated initiative. It is the backbone of any successful talent strategy. The top use cases for Talent Intelligence include talent acquisition, performance management, employee experience, and strategic workforce planning.

Figure 6: Top Use Cases for Talent Intelligence



Talent Intelligence can be instrumental in talent acquisition.

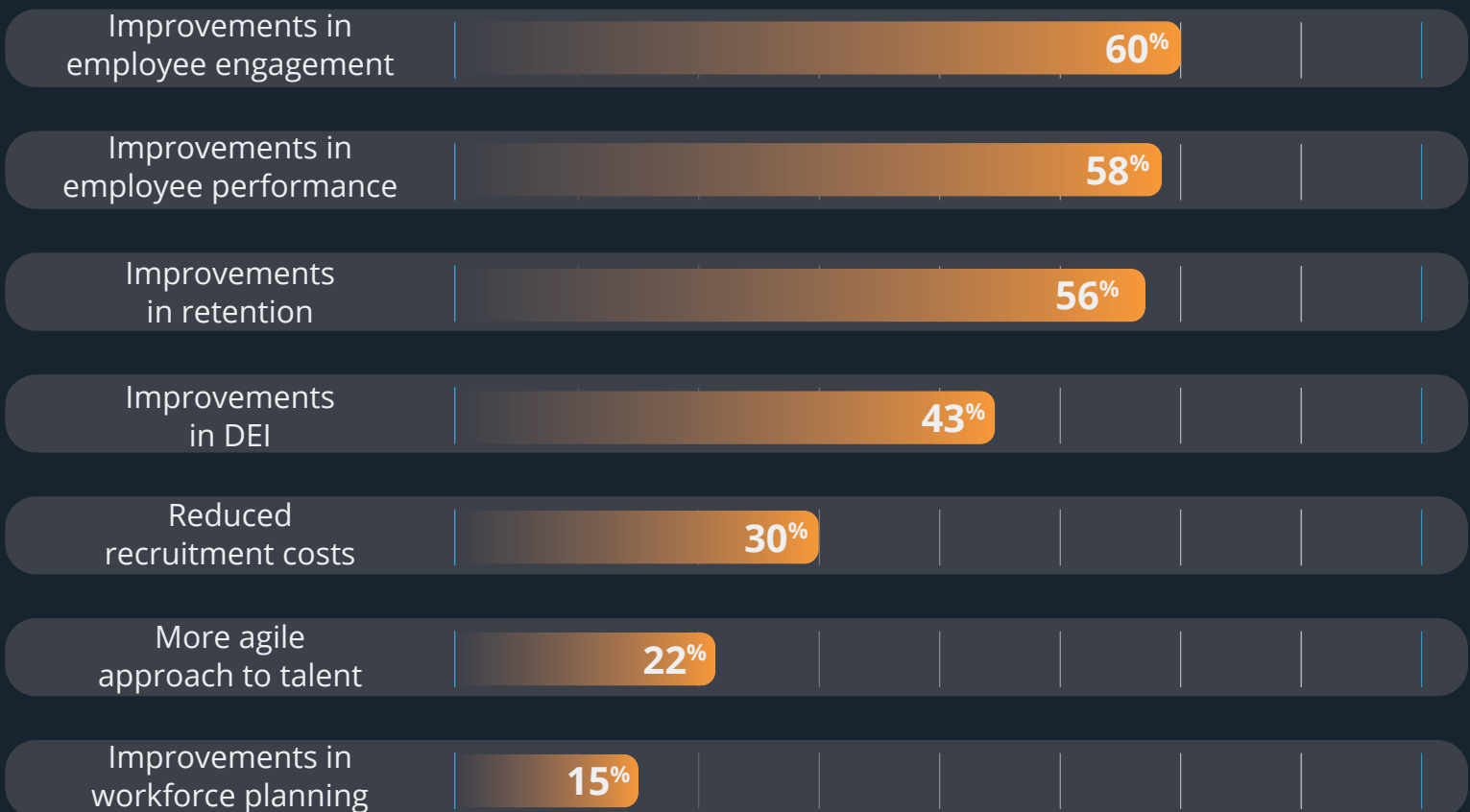
By analyzing data on potential candidates, such as their skills and career trajectories, organizations can identify the best-fit candidates for specific roles. This enables recruiters to optimize their search efforts, improve candidate experience, and enhance the overall quality of their hires. Additionally, Talent Intelligence can aid in workforce planning by providing insights into future talent needs and potential skills gaps, allowing organizations to proactively address staffing challenges and align their workforce with long-term business objectives.

Talent Intelligence plays a crucial role in talent management and retention.

By analyzing performance data, employee feedback, and career progression patterns, organizations can identify high-potential employees and create targeted development plans to nurture their growth. This not only enhances employee engagement and job satisfaction, but also helps organizations retain top talent and reduce turnover. Also, Talent Intelligence can be used to design compensation and benefits packages that are competitive in the market and align with employee expectations, helping organizations attract and retain skilled professionals in a competitive job market.

Although it is important to understand how Talent Intelligence is used across the employee lifecycle, companies must translate these use cases to broader business outcomes. The top benefits that companies believe will come from Talent Intelligence included improvements in employee experience, employee performance, and retention (see Figure 7).

Figure 7: Benefits of Talent Intelligence





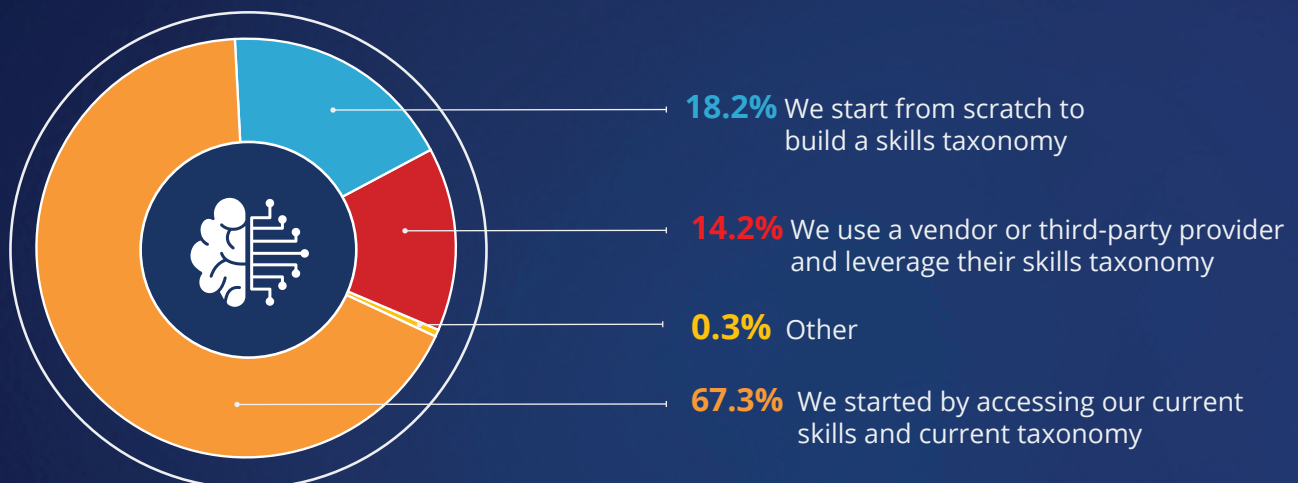
EMBRACING A **SKILLS-BASED APPROACH**

According to Aptitude Research, one in two companies take over two years to build a skills taxonomy. Without proper technology to support these frameworks, these companies faced several challenges including:

- Outdated Information:** Companies would have to manually update the skills framework and libraries to reflect changes in the business or in the labor market. According to this study, 38% of companies built their own skills libraries for talent development. Yet, these libraries are not continuously being maintained and do not reflect the changing nature of work.
- Multiple Taxonomies:** Companies have been developing skills taxonomies for the past two decades. These conflicting taxonomies create confusion and make it difficult to improve talent strategies through skills. Different departments have created their own interpretations for what skills mean and organizations have found it difficult to provide consistency.
- Employee Participation:** Employees would not typically provide feedback or input to their own skills, and the result was a set of skills that often did not reflect the current workforce. Because employees would have to manually update their profiles, skills were often either outdated or ignored completely.
- Lack of Ownership:** Most skills and competency libraries were created manually by HR professionals. This required a significant time commitment and often would face roadblocks. The amount of time (months and often years) needed to build skills libraries would create resistance internally and finding ownership was challenging. Talent acquisition and talent management functions would rarely collaborate on building out these libraries.

Building or developing or analyzing a skills taxonomy is often where companies get stuck. It can leave even the most sophisticated HR leaders feeling overwhelmed and frustrated. When tackling the skills strategy, Aptitude Research found that 67% of companies start by assessing their own skills taxonomy, 18% of companies start from scratch, and 14% use a third-party provider (see Figure 8). Sixty-eight percent (68%) of the companies rely on their own internal resources to assess their own skills taxonomy.

Figure 8: *Creating a Skills Strategy through a Skills Taxonomy*



The future of skills is technology-enabled. Technology allows companies to scale their approach to skills, provide opportunities and personalization to every individual, and leverage AI and ML to draw deeper insights. Most importantly, it provides context to skills by inferring insights about the individual and employer. Although several technology solutions are aiming to address skills today, not every solution provides value. A skills-based approach requires a significant investment from a solution provider to build a skills ontology, invest in Talent Intelligence, and leverage AI inference so that skills are dynamic and personalized.

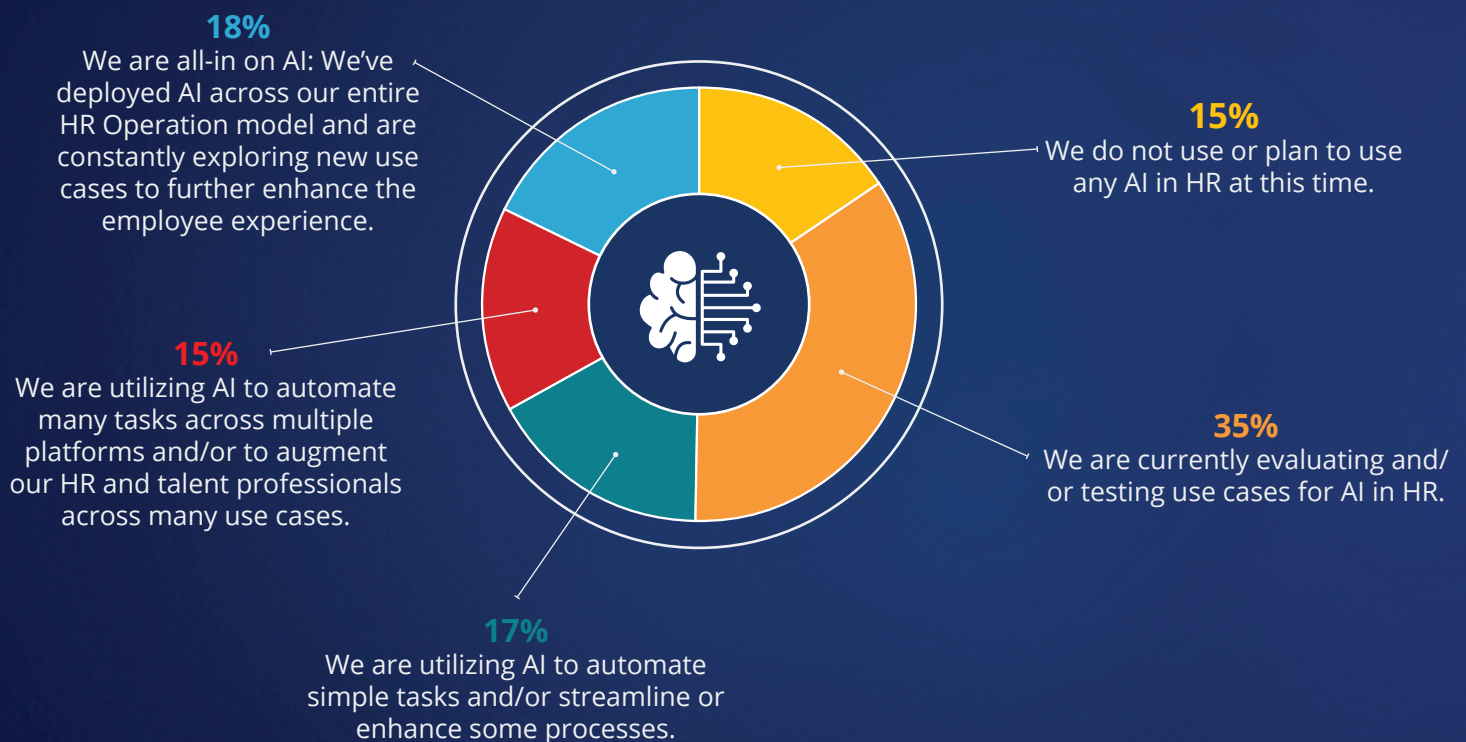


EMBRACING AI FOR GOOD

AI plays a crucial role in Talent Intelligence, revolutionizing how organizations understand and optimize their workforce. According to this study, 69% of companies are increasing their investment in AI in talent acquisition. With its ability to process vast amounts of data quickly and efficiently, AI can uncover insights to allow companies to make data-driven decisions in talent acquisition, talent management, and overall HR strategy. AI forecasts future talent needs, identifies high-potential employees, and even suggests personalized career development paths. Moreover, AI-powered assistants and generative AI can enhance the candidate and employee experience by providing instant responses to inquiries, streamlining onboarding processes, and offering continuous support. AI in Talent Intelligence empowers organizations to stay agile, competitive, and responsive to the ever-changing demands of the modern workplace.

Companies are at different stages of their AI adoption in talent acquisition as indicated in Figure 9. Thirty-five percent (35%) of companies are currently evaluating and testing use cases for AI in HR and 18% are all in on AI.

Figure 9: AI Adoption in HR



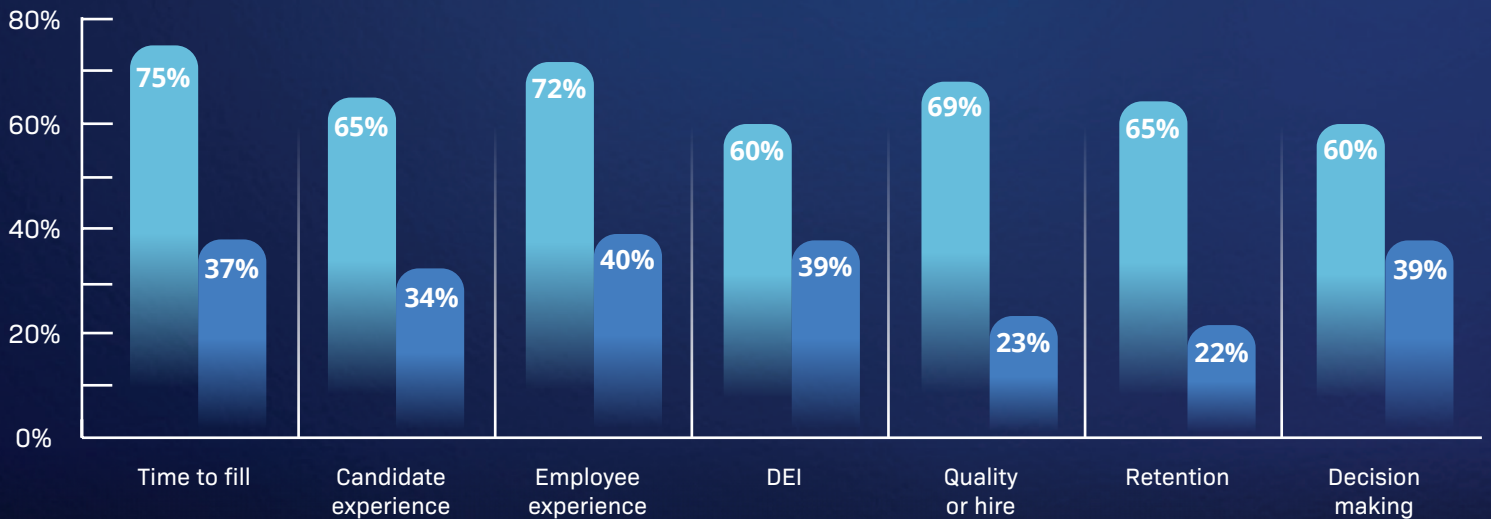
AI does not take away the human element of talent acquisition. It has the potential to enhance it. It learns more about candidate behavior, provides recommendations, increases personalization, and offers consistent communication. AI can help companies better connect with candidates, target the right talent, match the right candidates to jobs, and make decisions on talent that will predict performance. Aptitude Research found that for 80% of companies, humans are still making decisions around talent and for nearly a third of companies, both humans and AI are supporting different areas of talent acquisition. As a result, one in three companies believe that AI has the power to make the process more human, enhancing the role of talent professionals.



INVEST IN THE RIGHT TECHNOLOGY

A Talent Intelligence platform uses the power of skills and AI to help companies by delivering talent insights, and enabling companies to make data-driven decisions in various aspects of talent management.

Figure 10: *The Business Impact of Talent Intelligence Platforms*



- Investing in Talent Intelligence
- Not Investing in Talent Intelligence



Below are some of the ways that Talent Intelligence platforms deliver value:



Talent Acquisition:

One key feature of these Talent Intelligence platforms is their advanced talent discovery and matching capabilities. By analyzing vast amounts of data from resumes, applications, and internal databases, these platforms identify ideal candidates for specific roles within an organization. The goal is to improve quality of hire rather than just efficiency to ensure that jobs are filled by individuals possessing the requisite skills, experiences, and cultural alignment.



DEI:

These platforms also prioritize diversity and inclusion by helping organizations eliminate bias in their hiring and promotion processes. They offer insights into potential bias points and recommend strategies for improvement, thereby helping organizations build more diverse and equitable teams.



Strategic Workforce Planning:

They enable organizations to assess their current talent pool, identify skills gaps, and help companies stay prepared even during times of uncertainty. This proactive approach ensures that organizations have the right talent in place to meet their immediate and future business needs.



Talent Management:

These platforms offer insights into internal mobility, employee engagement, and retention. By analyzing data related to employee performance, feedback, and career aspirations, organizations can pinpoint individuals who may be at risk of leaving and take proactive measures to retain them, ultimately reducing turnover and retaining valuable talent.

Through AI and data analytics, these platforms help organizations attract, develop, and retain top talent while fostering diversity and inclusion throughout the workforce. Figure 11 shows companies that are using, planning to use, or not using Talent Intelligence to support these initiatives.

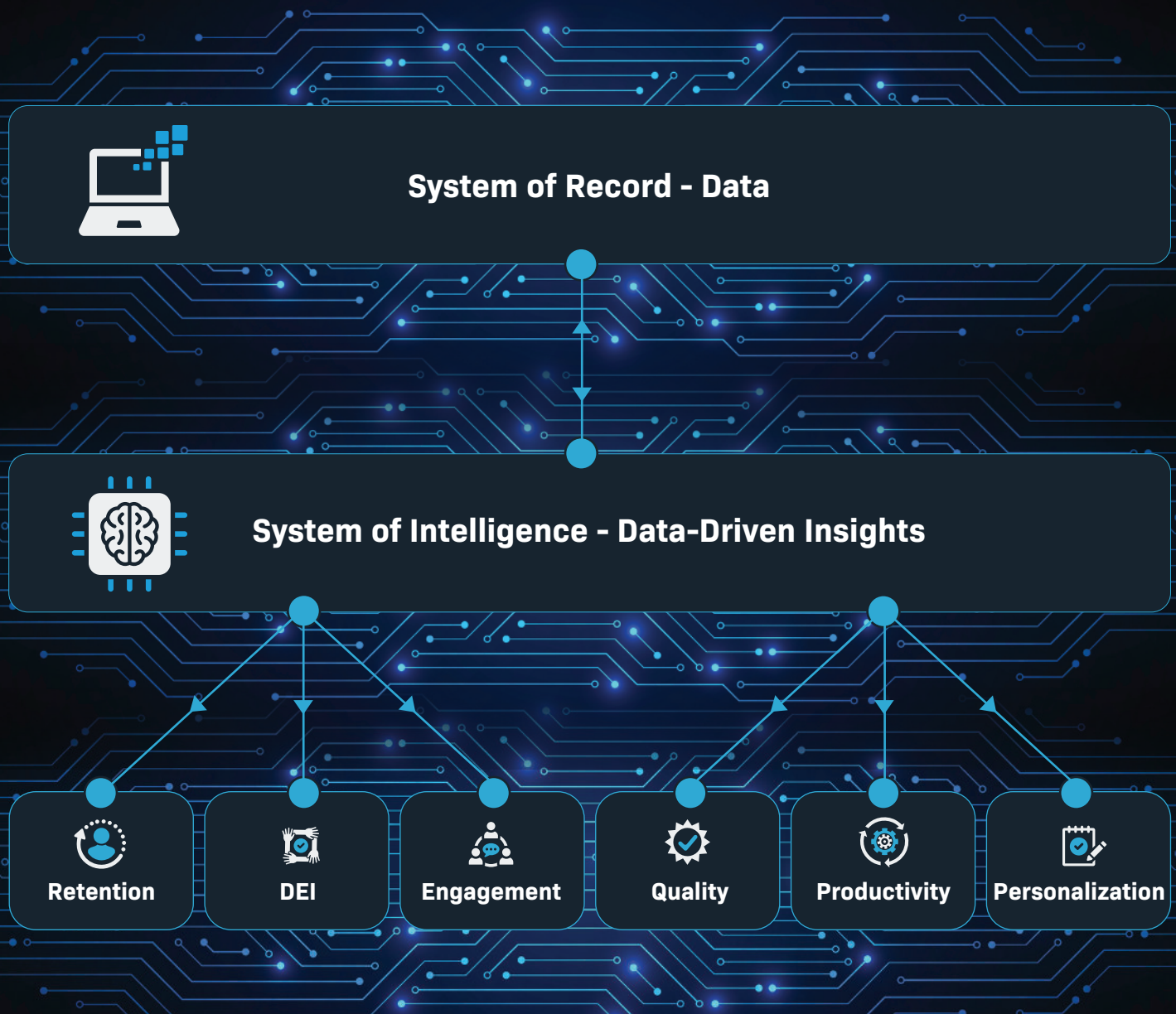
Figure 11: Companies use of Talent Intelligence to support these initiatives.

	USING	PLANNING	NOT USING
AI suggests career experiences based on skills, potential, interests, and learnability	59.2%	27.8%	13%
Learning courses suggested based on skills and interests	63.9%	28.5%	7.6%
AI suggests career development opportunities based on skills and interest and potential	50.6%	35.1%	14.2%
Dynamic scenarios used for skills-based workforce	54.1%	32.9%	13%
Continuous skills-based workforce planning	61.4%	31.3%	7.3%
Flexible work and skills architecture	65.5%	23.7%	10.8%
Opportunities for all talent suggested, including contingent workers, based on skills and interests?	60.8%	28.2%	11.1%

SYSTEM OF RECORD VS. TALENT INTELLIGENCE PLATFORM

HR Systems of Record (HRIS or HCM) have served as the traditional system for employee data, storing information such as names, addresses, employment history, and benefits enrollment. These systems are important for maintaining the fundamental data required for HR operations, payroll, and compliance. But, the emergence of Talent Intelligence Platforms has signaled a transformative shift in how organizations leverage HR data, focusing on data-driven insights and strategic decision-making. Talent Intelligence platforms use the data from systems of record to draw deeper insights on talent and also, provide these insights back into the system of record to inform decision making. They are not competing systems, they are complementary. Figure 12 shows the difference between a system of record and system of intelligence.

Figure 12



A Talent Intelligence Platform is a dynamic and sophisticated tool that extends far beyond the capabilities of a traditional HR System of Record. Here are key differentiators that set them apart:

- **Data Insights:** While HR Systems of Record capture and store data, Talent Intelligence Platforms transform this data into actionable insights through AI.
- **Predictive Analytics:** Talent Intelligence Platforms leverage predictive analytics to forecast future workforce trends.
- **Personalization:** Talent Intelligence Platforms use AI and machine learning to deliver personalized insights. They can recommend learning and development opportunities tailored to each employee's skills and career aspirations, enhancing employee engagement and retention.
- **External Data Integration:** Talent Intelligence Platforms often incorporate external data sources, such as market trends, competitor analysis, and economic indicators, to provide a holistic view of talent opportunities and challenges. This broader perspective can guide organizations in making more strategic talent decisions.

CONCLUSION

As organizations consider their skills journey and invest in Talent Intelligence Platforms, it is crucial to focus on four key aspects that can significantly enhance their value:

● **Leveraging the Power of Skills:**

Recognize the pivotal role of skills in the Talent Intelligence landscape. Embrace a skills-based approach to talent, emphasizing the importance of skills data in recruitment, retention, and organizational growth.

● **AI for Positive Impact:**

Harness the potential of AI for good within Talent Intelligence Platforms. Prioritize ethical and responsible AI practices to enhance decision-making, reduce bias, and drive inclusive talent strategies.

● **Clear Definition of Talent Intelligence:**

Establish a crystal-clear definition of Talent Intelligence Platforms within your organization. Ensure that all stakeholders understand the scope and capabilities of these platforms, fostering alignment and shared understanding.

● **Understanding Business Outcomes:**

Focus on comprehending how Talent Intelligence Platforms directly impact business outcomes. Define key performance indicators (KPIs) that measure the platforms' contributions to organizational success, thus solidifying their strategic relevance.

ABOUT US



Aptitude Research is a leading human capital management (HCM) research and advisory firm. Our in-depth research and vendor assessments help HR leaders develop a deep understanding of the HCM technology landscape, including talent acquisition and engagement, to ultimately make better purchase decisions.

Our flagship research, The Aptitude Index Report: delivers a comprehensive look at talent acquisition trends and technology. This knowledge, combined with our consulting and advisory services, enables companies to save time, money and improve the recruiting, hiring and workforce management experience.

Founded by leading analyst Madeline Laurano and based in the Boston area, Aptitude Research provides a wealth of HCM expertise to companies, vendors and investors. View our recent and upcoming research at www.AptitudeResearch.com or connect with us on [Twitter](#) or [LinkedIn](#).



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