

Chapter 1.

The New Talent Assumptions

Fasten Your Seatbelt! It's Going to be a Bumpy Ride

Take a minute to think about talent and the creation of great customer experiences. Now consider the following scenarios, and imagine you being the customer.

- You just showed up to your rental car location after a long flight, and you are at the end of a line that snakes halfway around the terminal. When you get to the counter, the agent cannot find your reservation or your “preferred number.” You are told, “You must not have given us the number correctly.” After fumbling through your luggage, you find the reservation confirmation and proof that you are not losing your sanity. The agent becomes immediately defensive and tells you that someone else is to blame. “Enough,” you think, “I just want a car.” After going through an entire rental agreement (again), you are told that the company does not have the car you ordered, but not to worry, you will be given an upgrade, which turns out to be a gas-guzzler. When you protest, you are told rudely that you could wait a few hours until a more green-friendly car comes in. “That’s it,” you say to yourself. “Next time, I’ll head full speed to a competitor.”
- You arrive at the mall to find a gift for your sweetheart, and as you go into a promising store, a clerk “locks onto you,” and you are treated to a verbal onslaught that smothers you like a leaden embrace. After telling the clerk that you prefer “to browse,” he huffs off into the back room. When you decide on an item, you have to plead to get checked out so you can be on your way. The “attitude” during checkout was thrown in, free of charge. You make a mental note not to return.
- As you enter a new clothing store, you overhear the clerk on the phone saying, “Let me get rid of this person, and I’ll call you right back.” Beyond the lack of engagement, the clerk’s familiarity with her company’s products ended with her ability to point to them on the shelves. This is a brand that has talked about upgrading its customer experience. Obviously, it has not done so.

Contrast these two examples to the following story told to me by Tony Hsieh, CEO of online retailer Zappos:

- On a lark, you call Zappos late one night to order pizza, a somewhat strange request because Zappos at the time of this writing does not sell pizza; the company is known for selling footwear — and having incredibly helpful service people! But you are desperate for a pizza, having struck out with several calls to parlors that are closed — it is after midnight. You tell the agent that you know Zappos is known for fantastic customer service — is there anything she can do? The Zappos service agent notes your number and calls you back a few minutes later with the name and number of a place to order pizza at that late hour. Wow!

Or contrast an airport experience I had with the previous rental car saga:

- I arrived at an airport a few years ago and discovered that I had lost my wallet. While my booked “Gold” rental car agency tells me there is nothing it can do for me without a valid driver’s license, an adjacent rental car agency “tries harder” by finding an old reservation of mine in the system, checks other forms of identification, and wakes up the manager to obtain special permission for me to obtain a one-way rental car, thereby avoiding a sleepless night in the airport. Wow!

These are not isolated examples of how talent plays a critical role in an ever-competitive marketplace. As a consumer, you feel frustrated — or delighted! Most of the organizations in these situations aspire to create a loyal customer, one who will recommend them to others. And yet, inappropriately tuned talent can cost organizations a huge amount in lost or disloyal customers. Worse yet, research informs us that truly unhappy customers will tell 10 or more other people about their experience.

Beyond irate customers, think about the costs of lost productivity, rework, accidents, or employee turnover that stem from talent not managed correctly.

As a consumer, you might wonder, why do such behaviors occur?

As an employee, there are enormous consequences for good and poor behaviors in today’s economic climate, not the least of which are the long-term self-respect and career satisfaction that most employees desire. Have they connected their behaviors to future success?

If you are an organizational leader, you are frustrated because you know the costs of dysfunctional behaviors to your business. Organizations increasingly have smaller windows in which to make their competitive mark and even shorter windows to hold it. *In our interviews of C-suite executives, over three-fourths mentioned talent as a key factor for establishing a competitive advantage.* For approximately half of them talent was *the* competitive advantage. The majority of these executives identified building winning cultures with sterling talent as a central goal for their company.

Let’s take a look at what some organizational leaders say about talent:

- Garry Ridge, the CEO of WD-40 Company talks about his quest to get all of his “tribe” to be “A” players — hitting the top of their potential so they could delight their customers and teammates.
- Shannon Deegan, Director of People Operations at Google, emphasizes the criticality of innovation — how they need Googlers to “invent on the fly” to stay ahead of one of the most competitive and rapidly changing industries.

- Henry Givray, who leads the world’s largest association management firm in the United States, SmithBucklin, points to the importance of a culture of trust and commitment that allows employees to maximize their potential.
- Padma Thiruvengadam, who led a major Asian unit of Pfizer, underscores the importance of flawlessly executing plans that require skilled people to effectively coordinate across multicultural teams.
- Bob Hoffmann of Novartis is passionate about the need to have people “step up their game” to create strong collaboration across Europe, the Americas, Asia, and the Middle East in order for the company to remain competitive.
- Don Crosby, who heads International Human Resources at McDonald’s, knows the criticality of acquiring and training the right talent to deliver on his company’s global brand image.
- Vineet Nayar, CEO of HCL Technologies, talks about how critical innovative people are to continuing his company’s record rate of growth during and after the recession.

These executives no doubt see talent as a make-or-break element for their company’s survival and growth. They know they cannot execute their strategies faster and more effectively than the competition without the right talent, and few believe they can garner a distinct competitive advantage through capital, materials, or other sources without also leveraging critical talent. Innovative organizations such as Google, Apple, or HCL Technologies depend on constant innovation by their people. Preeminent service organizations such as Zappos depend on service excellence delivered by their people. Even low-cost competitors such as Costco or WalMart depend on the efficiency and speed of their employees to make thin margins pay off.

But most of the executives with whom we spoke lamented that they struggle to consistently achieve peak performance. They return again and again to three issues:

- How do I get everyone — my executive team, middle managers, employees, and even suppliers — on the same page?
- How can I improve the ability of our talent to bring products or services to our customers in order to stay ahead of the competition? That is, are we hiring and retaining the right talent? Are we developing it in ways that protect our customer relationships and intellectual capital?
- How do I get people to give 120 percent — to go the extra mile?

These are fundamental and practical questions about optimizing talent: questions this book addresses, not in theory, but in practice. I will share examples of organizations that are superior talent managers, show how to measure talent, and provide ideas about how you can achieve these outcomes in your own organization, and do so now.

The Road Ahead — Optimizing Talent

Given the new challenges, simply “managing talent” is no longer adequate. Rather, like all scarce resources, talent must be “optimized.” It cannot simply be optimized for today, but winning organizations create “sustainable talent” — talent that is primed for the long term. HR professionals can no longer ignore the CFO’s query about the return on investment (ROI) of talent expenditures. Those who can optimize their talent in service to their mission will be miles ahead of their competitors, especially those competitors who continue to manage talent in traditional ways.

We at the Metrus Institute define talent optimization as *achieving the highest performance and future potential from the talent that you have invested in*. Talent is defined as *the collective competencies, values and attitudes, experiences, and behaviors of all sources of labor*. Talent management is defined as *all activities, processes, or behaviors that support the optimization of talent*. And sustainable talent management is *focused on achieving the long term optimization of talent — not just performance for this week or this quarter*. While I may talk more about employees in this book, remember that in today’s marketplace, talent is increasingly coming from other sources — contractors, consultants, or outsourced labor.

In my speeches around the globe, I am often asked why approaches to talent management need to change: “Haven’t we honed those practices over the past thirty years? If we simply execute recruiting, selection, onboarding, and performance management better, won’t that get us to where we need to be?” Sadly, the answer is no. As Anna Tavis, Vice President of Talent and Development of Brown Brothers Harriman said to me, “Let’s face it. Historical approaches to talent management are no longer valid.”

Figure 1.1 summarizes some of the reasons why our attitudes toward talent management must evolve.

Figure 1.1. Ten Myths about Talent Management

1. Great talent will fit all organizations.
 2. Jobs are of equivalent value to the organization.
 3. High engagement solves most issues.
 4. One-size-fits-all programs leverage resources wisely.
 5. Stakeholders are convinced by logic.
 6. Having great talent management processes is enough.
 7. Talent is readily available.
 8. Performance management drives optimal performance.
 9. Managers have high talent optimization skills.
 10. Employees need policies and rules to guide their behaviors.
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Traditional models of talent management often *incorrectly* assume the following:

- **Great talent will fit all organizations.** Does WalMart or NextTag, a low-cost retailer, require the same talent as Apple or Zappos? Probably not. Unique business objectives call for a differentiated workforce. An employee who is passionate about service excellence may thrive at Zappos but falter at WalMart where its values and points of emphasis are different.
- **Jobs are of equivalent value to the organization.** For too long, a requisition was a requisition. Of course, senior executive roles got more attention, but few organizations distinguished which jobs were most strategic to the business. But if a job is more important to organizational success, it probably deserves a particular emphasis. In the airline industry, the logistics function is the critical role that can make or break profitability; for WalMart it may be supplier management; for Zappos, it may be its service personnel or website designers; for HCL Technologies in India, it is the innovator.
- **High engagement solves most issues.** While Engagement is vital, it is not sufficient to achieve optimal talent performance. Research evidence shows that units with high Engagement but low Alignment or Capabilities may not be achieving their customer or financial objectives for a variety of reasons that will be discussed later.
- **One-size-fits-all programs leverage resources wisely.** Squeezed like many business functions, HR and other talent supporting functions outsource many transactional tasks, as well as leverage limited resources by creating programs that can be rolled out in single, large initiatives. The problem is that not everyone necessarily needs programs to strengthen Engagement, improve diversity, increase business acumen, or build top-performing teams, to name a few programs currently making the rounds. Consequently, there is often an enormous waste of resources, especially when you include the lost productivity time of various stakeholders. Some managers need individual coaching, while others need standardized training. Some people need more diversity training, but others require heightened business acumen to increase their productivity. Although some employees want a bonus that includes a stock grant, others see that as burdensome and want a cash bonus.
- **Stakeholders are convinced by logic alone.** There is nothing wrong with sound logic, but today's stakeholders, like CFOs and CEOs, want to see facts and evidence. Show me the numbers! While a training program looks like it makes sense or increasing Engagement sounds intuitively important, unless you can show the numbers, many leaders will be skeptical.
- **Having great talent management processes is enough.** Many organizations are world-class in recruiting and onboarding, but then they sub-optimize management of the full-talent lifecycle. For example, overly ambitious time-to-fill targets may be inversely related to performance or retention. Quick time to fill often translates into quick time to fail. Success is also not guaranteed if the selected talent fails to meet customer

expectations. In addition, optimal subprocesses do not ensure that a company will have one look and feel in the labor market if the branding, recruiting, selection, and onboarding processes lack careful coordination.

- **Talent is readily available.** Demographics suggest that the “right” talent will likely dwindle in supply. Many countries already have shortages of engineers and scientific specialists, and health care specialties are in short supply in many markets. Skilled trades are hard to come by in many regions of developed countries. Asia is struggling to find talented managers. As the talent pool shrinks, organizations will need to figure out how to use talent more effectively.
- **Performance management drives optimal performance.** Most people interviewed for this book think that traditional performance management models have failed miserably. Many of these programs are driven by the need to distribute pay from increasingly scarce compensation pools. Some organizations are successful in allocating pay in ways that reinforce goals and improve resource utilization. Few companies, however, achieve high Engagement of the workforce from their performance management processes.
- **Managers have high talent optimization skills.** A high percentage of managers today do not have strong talent optimization skills. Research conducted by the Metrus Institute found that over 80 percent of managers who lead people have significant gaps in their ability to optimize talent, the biggest opportunity for most organizations to improve performance.
- **Employees need policies and rules to guide their behaviors.** In a world of broad, diverse talent operating at many levels both within and outside the organization, leaders and functional experts no longer hold most of the knowledge cards. If allowed, people throughout the organization will do extremely creative and innovative things. Strict policies and rigid rules are no longer a winning formula for either optimally using or retaining talent. *Great Practice* human capital functions today are “letting go” in order to increase the impact they have on optimizing talent within their organizations.

These misconceptions illustrate the need to rethink many assumptions about the way in which we manage talent.

Let's Get On with It

This book addresses how to become a talent optimizer in your organization, your function, and your chosen profession. I will describe in fair detail a concept known as People Equity — the net value contribution of an organization's human resources — to explain why some companies are far stronger than others in optimizing talent, and I will answer the three key talent questions posed earlier by executives. The book will provide a path forward for anyone interested in optimizing talent for both the benefit of the organization *and* the individual.

In the years ahead for most organizations, talent will take on an increasingly central role as the most important (and expensive) resource needed to drive success. In this book you will learn

how, by optimizing and measuring the three People Equity factors of Alignment, Capabilities, and Engagement, your organization — and *you* — can become the best you can be in achieving your goals and in outperforming competitors.

The next sections of the book identify and describe seven steps to take to make this happen. Organizations that achieve high People Equity are more successful in achieving their goals, delighting their customers, being profitable, attaining superior quality, and retaining top talent than organizations that do not. It is hard to argue with a path that enables both individuals and the organization as a whole to achieve success!

This journey will address the following topics:

- What senior executives can do to accelerate their strategy execution, innovate faster, and increase the productivity of the workforce, as well as create a culture that is a competitive advantage
- How managers can accelerate their careers by leveraging talent more effectively to achieve their goals
- How HR professionals can serve as catalysts and drivers of change to help their organizations optimize their talent
- How to develop talent scorecards that will provide a beacon for aiming actions and resources to optimize talent and organizational performance
- How to measure People Equity and to use it to accelerate positive organizational and personal results
- How people and talent processes can be revamped to accelerate People Equity growth, organizational performance, and shareholder value
- How to embed talent optimization thinking and practices in the culture of the organization

Before People Equity is described in more depth in Chapter 3, we first must understand today's talent context. Without context, understanding the implications and likely results of alternative talent strategies is difficult. And because today's context is changing so rapidly, managing talent strategies, policies, and processes will require adaptability, strong influence skills, trust, and the ability to lead change. While optimizing talent comes with great reward, it also requires substantial changes, which may create fear for many. This fear must be faced head on and overcome — a subject for our next chapter.

To bring the subject of each chapter to life, you will find Action Tips at the end of each chapter to help turn the ideas discussed into action.

Action Tip

Identify the talent myths that currently drive decision-making in your organization. Engage other thought leaders in such discussions. Devise a plan for overcoming the myths that hold your talent strategy and organization back. For your convenience, a worksheet has been created at www.the-ace-advantage.com to use in discussions with teams in your organization.