

Establishing a Talent-Driven Culture

By David C. Forman



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The skills, competencies and attitudes of an organization's workforce are the primary ingredients for business success in today's global, interconnected world. They are not the only factors: It is the intersection of talent with strategic, operational and opportunistic forces that engenders success.

Southwest Airlines, the most successful U.S.-based airline, has sculpted its success through a consistent, powerful strategy of democratizing the skies; making wise decisions including no hubs, one type of aircraft, and satellite airports (especially in its early years); establishing operational efficiencies such as 20-minute gate turnarounds; and being fiercely dedicated to hiring and engaging the best talent for each job. Each year, more than 100,000 people apply to Southwest to fill approximately 5,000 jobs. These people are carefully selected, developed and incented to personify the Southwest brand and promise.

Economists, CEOs and other thought leaders have recognized that we are in a different time, space and context than companies in the Industrial and even Knowledge ages. In the 21st Century, success is based

on the ability to innovate, be creative, to connect across boundaries quickly and to adapt to unparalleled change. When 90 percent of Hewlett Packard's and Medtronic's revenues are from products that did not exist a year ago, it is clear that one needs to innovate or lose. Yet most management and talent practices are based on an organization model that is outdated, is tied to control and compliance practices, and ensures that organizations will never be as capable as the people who work in them. Vestiges of the past are restricting the changes that are required to be successful now and in the future.

"The only unique asset that a business has for gaining a sustained competitive advantage over rivals is its workforce—the skills and dedication of its employees. There is no other sustainable advantage in the modern, high-tech, global economy."

Robert Reich,
Economist and Former Secretary of Labor

“Today’s marketplace is incredibly competitive in every industry around the globe. The difference between success and failure is talent, period.”

Indra Nooyi, CEO, PepsiCo

“Only those companies that win the hearts and minds of their top talent will be able to deliver value over both the short and long term.”

Deloitte, 2008

These statements are not just theoretical or emotional chatter. The contribution of talent to the success of an organization is clearly established by more than a decade of research. Organizations that invest in effective talent management practices consistently outperform their industry peers. An even greater advantage is gleaned by those organizations that utilize more of an *integrated* approach, in which various talent practices inform and influence each other (IBM-HCI, 2008).

External factors have also been the impetus for improved talent practices within organizations. In private companies, a key driver is the rise of the intangible value of an organization. During the 1980s most of the valuation of a company was determined by its tangible assets—equipment, facilities, technology, resources. Now these tangible assets account for less than 30 percent of a company’s worth; instead, it is the intangible assets of brand, relationships, talent, and the ability to innovate and execute that can comprise up to 85 percent of the market value of these companies.

With this new reality, a whole different set of stakeholders is interested in talent management: the financial community, investors, analysts and the media. If talent and intangible assets are so vital, these stakeholders are looking for metrics and accountabilities to define what is important and to indicate those organizations that are good, bad or indifferent in managing their human capital.

up
to **85%**

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In the government sector, an important driver for improved talent practices has been the President’s Management Agenda (PMA). One of the top five pillars of the PMA is Strategic Human Capital Management. Departments and agencies were directed to make progress in this initiative and to “go green.” A critical new position, the Chief Performance Officer, whose job is to improve the productivity of government agencies, has been established. The greater emphasis on *accountability and transparency* is also a strong indicator that talent issues will be at the forefront of public scrutiny.

Finally, there is a strong push for implementing talent practices from “The Best Places to Work” lists in both business and government. The criteria for the Malcolm Baldrige award also have the same influencing effect: If organizations want to apply, they must utilize strong human capital practices.

The result of these efforts is to create a “*Culture of Envy*” (Wright, 2008) that differentiates recognized from unrecognized organizations. These lists then contribute to brand, credibility in the marketplace and ability to attract top talent. Sullivan (2006) has said that getting on such lists is worth millions in free public relations coverage and exposure.

These forces have combined to reinforce the importance of talent to organizations in the 21st Century. Winston Churchill predicted this likelihood decades earlier when he said, “The empires of the future will be empires of the mind.” But how do organizations transform themselves to be aligned and synchronized differently? How can they move beyond past practices where people are viewed as replaceable parts and as costs to be curtailed? How can cultures be challenging, demanding and respectful at the same time?

How can more flexibility, choice and leverage be built into the workplace so that people choose to opt-in rather than drop out?

The answers are not easy or quick, but patterns are emerging, and there do appear to be steps that can be taken along this journey to a talent-driven culture and organizational success.

The Talent Management Adoption Model

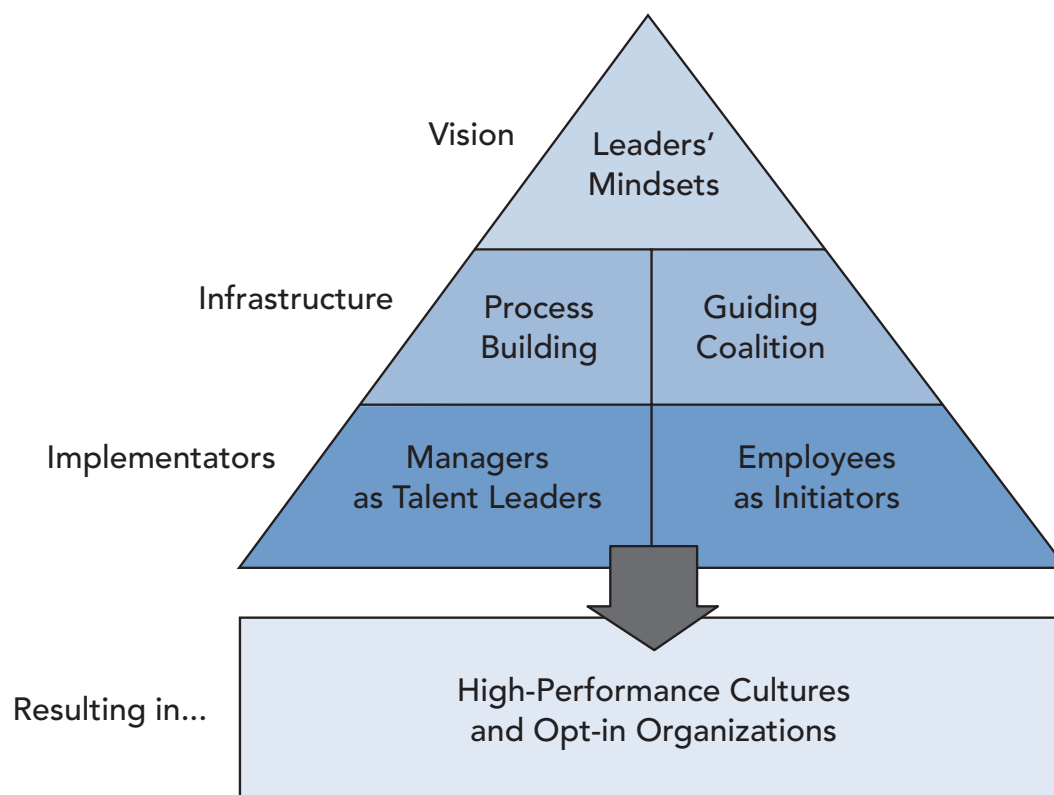
Organizations vary in their commitment to building high performance cultures based on strong talent practices. The evidence is compelling, but it is difficult to change familiar structures, traditions and past ways of operating. The journey can be slow and arduous for those wanting to move beyond rhetoric to action. But from organizations that have made this journey, there appear to be specific steps that characterize the growth from believing that talent is crucial, to the fruition of a culture that supports and fosters high performance and talent-driven practices on an enduring basis.

Step 1: The Enterprise Leader's Talent Mindset.

McKinsey first formalized what many people already recognized: If the boss isn't supportive, big changes won't happen. In McKinsey's *The War for Talent*, the importance of the leader's talent mindset was empirically established as the primary distinguishing factor between successful and less successful companies within industry cohort groups.

This research resonated with well-publicized examples. Jack Welch lived and breathed talent practices, and GE reflected his passion. He taught a half-day class for new GE managers every two weeks for 15 years, and never missed a class. Larry Bossidy brought the same level of commitment to Honeywell and Allied Signal. Andy Grove taught all Intel managers how to spot change in the microprocessor market as a critical part of their ongoing development. Sam Walton infused an employee-first philosophy as Wal-Mart was getting started, and Herb Kelleher would show up in hospital rooms for Southwest employees (or even relatives) to show his personal commitment to them. Wayne Calloway at Pepsico would spend weeks with key managers reviewing strategy and playing a key mentoring role in their development, and A.G. Lafley of P&G spends 30 percent to 50 percent of his time developing future leaders.

In particular, leaders of consulting organizations and law firms now realize that since their only product is the knowledge and expertise of their people, they need to start paying attention to those individuals that provide it.



These organizations have a great advantage over their competitors that view talent as interchangeable parts just like machinery. And because these leaders believed in the ascendancy of talent, things usually happened throughout their “kingdom.” The real danger at this stage is that the leader says all the right things, but doesn’t follow through with tangible commitment and action. Noel Tichy has said that the one true indicator of a leader’s talent mindset is his or her calendar—let us see how you actually spend your time.

If the leader has a talent mindset, then the journey can begin; but what happens if the leader does not? In this latter case, the real question is: Is the leader open to data and changing his or her mind? If the answer is no, then the best outcome is incremental and slow change. If the leader can be convinced and is open to evidence and persuasion, then other steps in the adoption model can be achieved.

For the leader who can be influenced, the issue now becomes: What constitutes a compelling case? The compelling case depends on the organization’s *pain points* that the leader is trying to address, such as those listed below.

Immediate Impacts of Talent Management Practices
Reduces risk
Stems turnover
Saves money
Improves ability to attract talent
Becomes an admired organization
“Goes green” in response to direction from above

Intermediate Impacts of Talent Management Practices
Improves productivity
Strengthens brand and competitive position
Improves execution of strategy
Builds deeper pipelines of critical talent
Makes better business decisions regarding human capital

Given this array of issues, the champion (key influencer) needs to address those issues that have the greatest meaning and highest cache with the leader. A compelling case can be made for talent practices that ameliorate key issues through the following framework proposed by Condit and Forman (2008):

- **The alignment case:** Link the value of talent practices to achieving strategic goals of the organization.
- **The business case:** Calculate the monetary impact of improved talent practices.
- **The experiential case:** Show the impact of the changed practices on people, culture and careers because compelling cases include both the mind and the heart.
- **The comparative case:** Demonstrate that others are taking similar actions through benchmark and comparative data.
- **The null case:** Articulate the cost of doing nothing and losing momentum and morale.
- **The continual case:** Keep making the compelling case while being able to respond to changes in both internal and external factors.

Building this compelling case may take time, but it is crucial to progressing to the next steps in the model. The leader needs to be supportive, both publicly and informally, in the journey ahead, and this support is not just a one-time or verbal commitment. The leader’s actions and influence are required, especially in the next step.

Step 2: The Division Leader’s Talent Mindset.

When the enterprise leader’s talent mindset is genuine, it influences his or her direct reports. The talent mindset, then, has started to cascade down the organization and widen its path of influence. This is a critical step in infusing new values and behaviors into the culture. If the commitment just stays at the very top, culture change loses momentum.

More often than not, one or a few divisional leaders really become ardent champions of what Lawler (2008) has termed a human capital-centric organization. They see the opportunity to shape

their division, group or agency as a center of innovation and talent excellence, and to be the “early adopter” within the larger enterprise. In organizations that do possess high performing cultures, it is very clear which groups and people are excellent at developing talent. These talent laboratories (some even call them talent factories) are well recognized both informally and at the board level. One senior executive at HSBC recalled that his one job interview question with the CEO was: “Tell me about a senior executive whose career you have influenced.”

The potential barrier at this stage, as it is for the enterprise leader’s mindset, is that commitment can be shallow and fleeting. The divisional leader may see this as just an opportunity to achieve favorable status and not as a new operating model. If this is the case, one of two courses of action is required: Either find a new divisional champion or attempt to build a compelling case to change the divisional leader’s mindset.

Because the division is smaller than the enterprise, a divisional leader can make things happen more quickly and directly than the CEO or general manager. The divisional leader’s presence and role can be observed more readily and therefore can play a bigger part in the everyday life of an employee. Because culture change is incremental, the steady presence of a strong and dedicated talent champion and divisional leader can make significant progress at the local level.

More and more leaders now understand the essential role that talent plays in this new economy.

Step 3: Process Building. Leaders supply the mindset and direction, but infrastructure is needed to move the culture to a different level. This step can occur in parallel with Steps 1 and 2, or follow in sequence. Among the processes and practices that should be built over time are the following:

Key Talent Management Processes
Workforce Planning
Competency Development
Recruiting
On-boarding
Engaging Talent
Performance Management
Talent Reviews
Succession Management
Leadership Development
Manager Development
Employee Development
Talent Deployment and Internal Mobility
Knowledge and Expertise Management
Career Development
Proactive Retention Programs

Some, or many, of these practices occur in most organizations, but their purpose is more for operational consistency than talent optimization. These practices need to be re-examined and refined to be aligned with the characteristics of high performance organizations and talent management models. For example, many performance management systems have not dealt with the issue of ratings inflation and therefore serve little purpose in providing honest and direct performance feedback for employees. Many other organizations have a difficult time segmenting top talent and critical jobs so that resources and interventions can be targeted to the areas that will provide the greatest return on investment.

Process building is the domain of experts. Usually this occurs within the HR organization or a chief human capital office (CHCO) in governmental agencies. A center of excellence in talent management often includes experts in the processes previously identified as well as technology and analytics. The purpose of this center is to provide proven tools, templates and systems so that leaders, managers and employees can be more successful in their talent management responsibilities.

The list of talent processes and practices is long and requires prioritization. Priorities usually start where the pain is greatest. For example, for organizations that have a turnover problem, then engagement, and retention programs are paramount. For organizations that have a leadership depth issue, then succession management is more essential. With this caveat in mind, there are some core processes that should be the baseline. These include talent acquisition, performance management, engagement and learning and development. These provide the core functionality that the other talent practices can build upon.

More and more leaders now understand the essential role that talent plays in this new economy. They want to move forward, but are uncertain how to do it. They say: “I get it, now what do I do on Tuesday: How can we identify our top talent, plan for retirements and more effectively deploy our resources?” This is where more process building becomes vital. It forges processes and systems that work and drive effective talent practices throughout the organization. It provides the infrastructure for the next critical stages in adopting talent management throughout the enterprise.

Step 4: Strengthening Organizational Commitment Through A Guiding Coalition.

Just as processes have to be built to provide direction and credibility to talent management, so too does further human technology need to be added. It is not sufficient for leaders alone to have talent mindsets; others in the organization must understand and support the drive to a high performance culture. The guiding coalition represents the next level of necessary organizational commitment; as the influence of the coalition cascades down, together with strengthened processes, organizations begin to transform.

A guiding coalition consists of respected people from different levels and parts of the enterprise. While process building is the province of experts often in

talent management or HR, the guiding coalition is not these individuals. It must represent *the line and core functions of the organization*. These individuals must have a rock-solid sense of the business, be highly respected, and have the ability to envision and shape the future.

There are numerous examples of meaningful guiding coalitions. A regional construction company has a human asset management (HAM) group to guide and monitor its human capital initiatives. These estimators, construction managers and foreman meet regularly and report directly to the senior management team. McKinsey has its aptly named People Committee, and it is comprised of senior partners who look over the talent needs and requirements of the firm. AIRS,

a leading recruiting company and the top small- to medium-sized business to work for in Vermont in 2007, has an employee committee that proactively addresses workplace and cultural issues before they become a problem or distraction.

Step 5: The Manager as Talent Leader. This is a very big step that has been achieved by less than 10 to 15 percent of organizations. To be at this level means that the organization’s talent practices have the backing of leaders, many effective talent processes are in place, new mindsets and behaviors are percolating down the organization, and managers now recognize that they are a key “owner” of the talent imperative.

There are three systemic problems with this step in the model: Do managers want to define their role as talent leader? Will the organization let them? Do managers have the right skills to succeed?

As we have seen, it all starts with a new mindset that the greatest value provided by managers is through their people. It is no longer about managers’ individual contributions; it is about the contributions of the people they manage. This is a huge psychological hurdle for many to overcome.

It is not sufficient for leaders alone to have talent mindsets; others in the organization must support the drive to a high performance culture.

The organizational rewards and incentives must be aligned to the manager as talent leader role. If these systems and rewards still value the prior individual contributor role and/or reward achievement of operational targets to the exclusion of talent goals, then the organization is out of alignment and little will change. All too often, organizational goals offer one view, while incentives and rewards stress other priorities.

Managers often do not have the requisite skills and competencies to become talent leaders. Traditional management training is anchored in past perceptions of what managers do, and this training does not equip new managers to make good decisions in hiring, engaging, developing and retaining their key performers. Coaching and further development are required.

This step takes at least several years to accomplish. The cultural shifts are huge, and a great deal has to be aligned and synchronized for line managers to become talent leaders. The organizations that have hurdled this barrier approach this transformation in an organized, disciplined way by using proven change management practices and tools.

Step 6: The Employee as Initiator of Talent and Career Development. Probably 5 percent of organizations currently inhabit this stage, but this is the desired end state. In Step 6, individuals take responsibility for directing and running their own careers. They have access to all the information and tools they need to chart their own course, and their managers are there to support them and do minor course corrections. The locus of ownership shifts to the individual.

The psychological adjustments to this stage are not nearly as significant as Step 5. Most people want to be in charge of their own destiny, but they have not had the information, tools and organizational authorization to do so. Employees increasingly recognize that their greatest security is to continue to drive their own professional bus forward by learning new skills, having unique experiences, expanding professional networks and stretching into the learning zone.

But previously, a person's career was often determined for them. There was one career ladder and people were expected to be on or off it. To get ahead or be promoted, you had to become a manager, whether you wanted to or not. This has led to a culture of dependency that no longer works. People who feel "stuck" in their careers are frequently disengaged.

Employees should now be able to chart more of their own course. They can use the organization as a learning laboratory, take greater responsibility for their own development and performance, and come prepared to talk to their managers about what *they want to do*. They become real investors in themselves and the organization. They make choices and have more "skin in the game" than simply obeying orders or taking traditional paths. It's all about creating more choices, options and paths for individuals. When people are responsible for their own selections, engagement goes up and productivity increases.

With the locus of control shifting to individuals, greater flexibility and choice need to characterize the workplace. EDS publishes the results of its workforce plan and encourages employees to develop new critical skill sets. The Boeing 787 uses next-generation technologies and Boeing identifies employees who have compatible skills and competencies, and suggests relevant training and developmental experiences for them. IBM Blue Opportunities not only allows employees to promote their own personal brand and publishes internal jobs; but also proactively informs employees of new opportunities that match their competencies and interests. Technology allows for vibrant talent marketplaces, and the sharing of expertise and knowledge is more pervasive than ever before.

"We believe that if an individual feels something is more important than anything we might ask them to do, they should be able to follow their passion."

—Shona Brown, Google, 2007

The New Talent Management “Academy Companies”

The organizations that have gone through the six steps of the talent management adoption model are known as “academy companies.” They have strong talent practices aligned to their strategy, and have established metrics and accountabilities to monitor progress that helps to ensure success. Beyond the strength of individual talent practices, they are developing a more integrated system where there is a “seamless join” among talent practices and processes. A more unified talent management strategy is apparent, and talent is viewed as an organizational and not a local or departmental asset. The characteristics of a high-performance organization are embedded into the daily culture and life of the organization.

Many academy companies have been developing their practices not for years, but decades. They have overcome past barriers, mindsets and traditions, and have changed their cultures to reflect the new desired values and mores. They now have an engine for sustainable competitive advantage if it is properly serviced and calibrated. Their names are familiar: GE, IBM, Pepsico, P&G, Johnson and Johnson, Hewlett Packard, Intel, Southwest Airlines, Cisco, Microsoft, FedEx and Nordstrom’s, among others.

These corporate giants are widely discussed in case accounts and in the literature. But they are no longer the only organizations to deliver on the promise of talent management. The message is being heard elsewhere: in small and medium sized firms, in government agencies and in different types of organizations. Just as new companies today are not having to follow the traditional path for going global—from domestic to regional to global to multinational organizations—but rather are “born global” from the start; the same path is true for what

Gary Hamel (2007) has called “opt-in” organizations. These are organizations that people want to work for and have been founded with that principle in mind.

The 2009 *Best Companies to Work For* list from *Fortune* magazine (and the Best Places to Work Institute) provides some interesting insights into this generation of organizations. Among the insights are:

- NetApps is number one on the list
- Six of the next eight companies are ones that you would expect to see (for example, Google, Cisco, Edward Jones, Genentech, and Goldman Sachs) but then the names are less familiar
- Of the first 50 companies, 31 have less than 5,000 employees
- Among the types of companies presented, there are 12 hospitals, 5 markets, 5 law firms, 6 construction/engineering companies and 1 university

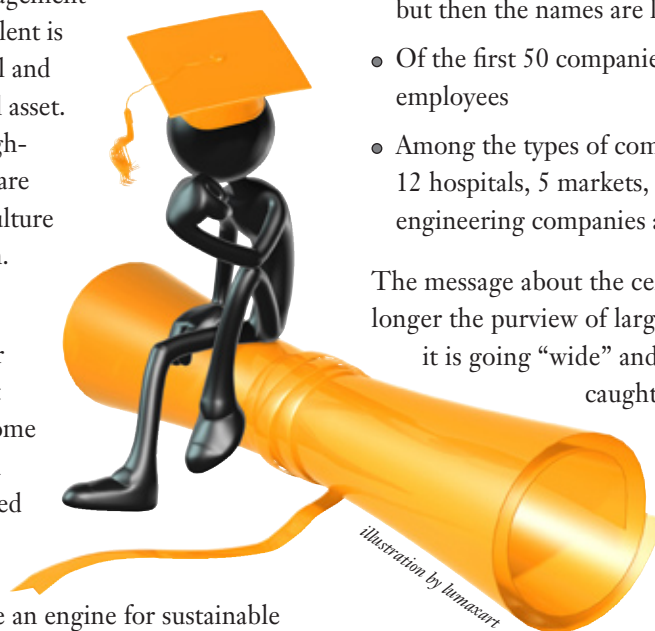
The message about the centrality of talent is no longer the purview of large, revered companies:

it is going “wide” and going small. It has caught on because it works,

and helps to attract top talent and promote the organization’s brand.

“Cultures of envy” are spreading throughout all segments of the economy.

There is an advantage to being a small- to medium-sized organization. The goal is not economies of scale anymore, but rather to create an opt-in, high performance culture, and this is inherently easier in a community where lines of sight and connections are strong. As Gary Hamel (2007) has said, “When it comes to mobilizing human capability, communities outperform bureaucracies.” W.L. Gore, a frequent member of the *Fortune* list, is a company of 5500 employees but intentionally limits the size of groups and departments to 200 people or less. This guideline guards against the type of hierarchy and bureaucracy that squashes new ideas and leads to a much less engaging place to work. It is all about communities and commitment at W.L. Gore.



Ten years ago, hospitals, construction companies and law firms would be outliers on the *Fortune* list: Hospitals were too bureaucratic and departmentalized; construction companies were too gruff and command and control driven; and law firms were piranhas. But now many of these organizations play by a different set of rules; they have to or they will not compete for talent and thrive in the 21st Century.

...characteristics of a high-performance organization are embedded into daily life and culture.

or groups, the culture starts to shift and adapt to these new values and messages. Substance needs to accompany mindset to change behavior, so process building must occur. This infrastructure must be built

with a human capital-centric approach and not traditional HR processes that support compliance, consistency and commonality. Talent and roles must be differentiated and not grouped mindlessly together for the sake of administrative convenience. Infrastructure needs to be built by scientists and domain experts, whether internally or borrowed.

Summary

A diverse set of organizations is moving through the talent adoption model in greater and greater numbers. This is no longer just the province of the well-heeled, tradition-rich corporations. There is a democratization occurring that spreads the opportunity and promise of “opt-in” organizations that can attract, engage, develop and retain top talent.

The step that is hardest to take and that signifies the greatest cultural leap is the transition of line manager to talent leader. When organizations go through this transformation, the journey to a high performing culture is close at hand because most barriers have been overcome. The next step is to have employees really drive and own the process; this is when talent-centric beliefs and practices are embedded into everyday life and organizational culture, and when talent becomes a sustainable competitive advantage.

There are typical steps that organizations go through to reach the state in which a talent-based culture is established. It starts with the mindset of the leader that talent is a key differentiator for success. The leader may believe this intuitively or become convinced through influence and evidence; it is difficult—but not impossible—to transform the organization otherwise. Then this talent mindset needs to go beyond the leader to other influential people within the enterprise. As “talent laboratories” get established and are more pervasive in key divisions

In some cases this journey can take decades and in others it is the platform on which an organization is founded and grown. These steps will be climbed slowly or in a rush depending on history and context. Regardless, they will have to be climbed—so begin to think how to make this journey as smoothly and effectively as possible.

About the Author



David Forman serves as an executive director and Chief Learning Officer for the Human Capital Institute. He is responsible for designing, developing and teaching the HCI Designation programs, as well as serving as a liaison to HCI's academic and learning communities.



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