Maximizing the Impact of Talent Management

Alec Levenson
Center for Effective Organizations

ATD webinar
October 25, 2016
Agenda

1. Talent as individual vs. enterprise level issue

2. Systems view of talent

3. How it compares to current practice

4. Talent and performance at individual vs. org levels

5. Prioritizing to mitigate enterprise talent risks
Source materials for our session

“Talent is an organizational capability”

www.linkedin.com/pulse/talent-organizational-capability-alec-levenson

TD at Work
Measuring and Maximizing the Impact of Talent Development

What is talent?
The systems view of talent

Individual capability + Organizational capability
Organizational capability

• Organizational capability enables strategy execution and creates competitive advantage
  – The ability to innovate
  – Customer service excellence
  – Go to market system efficiency
  – Branding / marketing
  – Quality manufacturing
  – Etc.
## Traditional vs. systems view of talent

<table>
<thead>
<tr>
<th>What “talent” means</th>
<th>Traditional view</th>
<th>Systems view</th>
</tr>
</thead>
<tbody>
<tr>
<td>Talent is what the employee or leader contributes to the org on their own as an <em>individual contributor</em></td>
<td></td>
<td>Individual talent is a key component of org performance, but not the only thing that matters</td>
</tr>
<tr>
<td>How to measure it</td>
<td><strong>Individual capability</strong>: competencies or human capital</td>
<td><strong>Org capability aligned with individual capability</strong>: how we maintain competitive advantage</td>
</tr>
</tbody>
</table>
Challenge with traditional view

• People construct narratives about the way things happen by starting with individual jobs
  - Sales issues are viewed as originating from sales roles
  - Innovation issues come from R&D roles
  - Supply chain issues come from logistics roles
  - Etc.

• But that simple picture is not the way that business results actually are achieved
  - Roles are interdependent: success depends on multiple people doing aligned actions
  - Not everything matters: you have to focus on the specific tasks, behaviors and processes needed to execute the strategy
    - The tasks, behaviors and processes that do not directly contribute to improved strategy execution overwhelming outnumber the ones that do
“HR perfect processes are the enemy of what is good for the business”

www.linkedin.com/pulse/hr-perfect-processes-enemy-whats-good-business-alec-levenson
Issues for HR and talent management

• What are your talent priorities for this year?

• How do they relate to the business strategy?

• Do some have a more direct link?

• Are others more tenuous?
Putting the cart before the horse

• People think the solutions lie with individual jobs and behaviors
  – Better skills for people to do their jobs right
  – More compensation (or more incentive-based compensation) to attract, retain and motivate the right people
  – Etc.

• Those things are important but not necessarily the solution
  – Many actions that people do maintain current operations without improving strategy execution
  – Maintaining current operations is important, but not enough

• You have to start with the business results to be achieved, and identify the enterprise issues to be addressed

• The primary human capital issues to address have to be directly related to the specific business results and enterprise issues
Solution

• The causation runs from individual level actions to group/team level then to business results

• But starting there is like trying to boil the ocean
  – There are 1000 things that can be improved at the individual level, so you need to start at the group level:
Competitive advantage

Step #1: Identify organization capability strengths & weaknesses, and gaps in strategy execution

Organization Design & Work Design

Step #2: Diagnostics at the enterprise, business unit and/or business process level

Job Level Issues

Step #3: Diagnostics at the role, individual and/or HR process levels
Talent and performance
Talent and individual performance

**Individual capability** = competencies (*knowledge/skills/abilities*)

**Job design** = roles and responsibilities

**Attitudes** = motivation

**Role / job behaviors** = what we observe

**Role / job task execution** = what needs to happen (*not always observable*)
Interdependencies and org design

• **Interdependence** = degree to which activities in one job (org unit) affect other jobs (units)

• **Low interdependence = loose integration**
  – Traditional org design (e.g. Henry Ford production line)
  – Benefit: easier information processing; each unit hands off without working closely together
  – Use work flow buffers like inventories and order backlogs to reduce interdependence between units (slow + wasteful)

• **High interdependence = tight integration**
  – Higher info processing costs, but better error control, quality
  – Example: Self-managing manufacturing teams
Competitive advantage & interdependence

- The org capability you are trying to build determines the degree of interdependence

- Competitive advantage is created by pursuing multiple, interdependent strategic objectives
  - Lean processes
  - Speed to market (without compromising quality)
  - Real-time decision making

- Interdependence requires lateral integration across units
  - Integrating roles, cross-functional teams, networks, etc.
**Talent and group/org performance**

Org capability = group-level capabilities needed to accomplish strategy

Org design = formal + informal structure

Culture = how the group / org thinks and acts collectively

Group / org task execution = what needs to happen

Business results = what happens when the strategy is executed properly
Solution

• Build a causal model that describes the main parts of the processes that lead to business results

• The causal model contains 3 parts
  – The **business results** to be achieved and the competitive advantage that enables the organization to achieve them
  – **Enterprise performance**: what has to take place at the organization, business unit, team, and/or group levels
  – **Human capital performance**: what has to take place at the role or individual levels

• The objective is to focus attention on the organizational parts and processes most relevant for improved strategy execution
  – Once they have been identified, you have the right focus for doing the analytics
Causal model of business results

Human Capital Performance

- Individual capability
- Job design
- Attitudes / motivation

Role / job task execution

Group / org task execution

Org design
- Org capability
- Culture

Enterprise Performance

Strategy Execution / Competitive Advantage

Business results
Prioritizing to mitigate enterprise talent risk
Competitive Advantage Diagnostics

- Organizations are large and complex

- There are always multiple competing strategic objectives, and diminishing marginal returns for all of them

- We use standard processes and simplification to make people’s jobs manageable so they don’t have to focus on the entire system

- Easy for people to fall into the trap of focusing too much on any one business objective, past the point of economic reason

- This creates tension between efficiency of running processes well and knowing where you have to adapt or change the process to fit the strategic goals
Competitive Advantage details

• Everything has an economic cost
  – There is a limit to how much the business can afford to invest in any process: customer service, quality, efficiency, time-to-market, innovation, product features, etc.
  – People-oriented metrics have the same problem
    • If turnover is too low, then not enough new blood will be coming in, below average performers stay too long
    • If get overly obsessive about safety, you can spend way too much time avoiding injuries that can’t really be prevented

• The key is knowing where to draw the line
  – You have to determine which business objectives are most important to improve, relative to all the others
  – Where should the marginal dollar be spent to improve?
“Benchmarking only is not strategic”

www.linkedin.com/pulse/benchmarking-only-strategic-alec-levenson
Issues for HR and talent management

• What kinds of data and information do we rely on to make talent decisions?

• Where are there gaps in what we need to know?

• How might you get better insights?
Key issue

• Are we keeping the lights on or moving the needle strategically?

• Keep the lights on
  – Maintain current operational performance
  – Status quo: don’t change much

• Move the needle
  – Increase performance against strategic objectives
  – Stir things up: how to break the frame?

• Both are important, but require different orientations to help the business succeed
Questions to help guide the diagnostics

- **Intended and unintended consequences of past decisions**
  - What are the implications for org effectiveness?

- **Organization level**
  - Why are our business units and functions set up the way they are?
  - What kinds of compromise decisions were made in the past?
    - Is decision making responsibility distributed appropriately?

- **Team/unit level**
  - Why are our teams/units staffed and resourced the way they are?

- **Role level/individual capability**
  - Why are roles staffed and compensated the way they are?
  - What are the labor cost business model assumptions being used?
    - Are they applied as the strategy, Finance and HR assume they should be?
  - Leadership: what compromises have been made to keep someone in the organization or give them special opportunities?
Dr. Alec Levenson
Senior Research Scientist
Center for Effective Organizations
Marshall School of Business
University of Southern California

alevenson@marshall.usc.edu

https://www.linkedin.com/pub/alec-levenson/5/547/891

http://ceo.usc.edu