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# TALENT MANAGEMENT HANDBOOK

Terry Bickham, Editor

Foreword by  
Tony Bingham



**ATD**  
**TALENT**  
**MANAGEMENT**  
**HANDBOOK**

**Terry Bickham, Editor**



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 Chapter 13

# Talent Analytics and Reporting

*Matthew G. Valencius*

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Imagine owning a big stock portfolio—a magical fount of wealth. However, like many magical items it comes with strange conditions. This enchanted portfolio does not let you see the prices of your individual stocks. All you can see is your total portfolio value as you make additional investments.

How irritating would this be? While you could probably make some reasonable decisions, you would always wonder if you had made the best decisions. Friends would ask if you owned Company X and how it was doing, and you would say “Maybe” and “OK, I hope.” Well, this is what it is like to not measure the impact of your various talent management efforts. Since hardly anyone would be in favor of such a ridiculous situation, let’s instead consider what talent analytics and reporting should be—and how it can help you make better decisions.

Talent management analytics can suffer from a scope problem. Sometimes, you may feel that the scope is so broad that you become paralyzed—thinking you have to hire a new team, bring in new technology, or create new processes. At other times, you may feel that talent analytics is too narrow. You may be doing great work analyzing a talent-related effort, but the techniques seem too specialized for others to follow, while important stakeholders are left thinking that one tidy success story is not enough to justify a wider array of programs and investments.

Talent management analytics does not need to be like this. It can and should be supported by all team members within the context of their specific roles. A program owner may set targets, while designers create a program to meet those targets in a measurable way. Facilitators and administrators need to know how what they do supports the program goals so that the design in turn becomes a reality.

For talent analytics efforts, you need to find the balance between “big enough to matter” and “simple enough to be possible.” The good news is that this is within reach if your organization is open to an expansive notion of analytics plus creativity. This chapter will offer some ideas to spark this thinking. But first, let’s dig deeper into what talent management analytics is all about.

## What Is Talent Management Analytics?

“Analytics” sounds like “data,” and who doesn’t love data. But data can be many things. Remember math or physics class? You may have collected data showing where you are over time. That’s your position. In a talent management context, your “position” could be attainment against recruiting targets or graduates from a learning program. This information certainly is helpful and is usually readily available.

Taking this further, you could also measure the slope of the position graph to assess velocity—for example, how fast people are moving through the talent management pipeline. Now you are refining your view of what is happening, but you can also go further. If you took calculus, you may recall that the slope of a velocity curve is acceleration. This also has meaning in a talent management context. It tells you if your efforts are gaining speed or bogging down.

Thinking of data this way opens the door to the idea that numbers (and analytics) are many different things with many different contexts. Analytics is not dry calculation or dull reporting—it offers a palette of colors to paint the picture of your impact. Creativity can and should move your agenda forward.

Going back to the magical stock portfolio, think of all the varied and complex ways real investors try to use information to gain a tiny advantage to help them make even more money. Now think of your talent management agenda. What do you want to drive? What do you want to build? Where do you want to be and how fast do you want to get there? How are you going to do this if you don’t know your position, velocity, and acceleration?

If you are making a big investment in talent-related efforts, there is certainly a basic responsibility to account for it. Otherwise, you are burning your money. All organizations should have some basic information to justify how they dedicate resources. If you don’t have it, get it. Waste and duplication have a way of growing over time. You might be shocked to find out what you are paying for.

Beyond basic oversight lie the interesting ideas. What you really want analytics to do for you is light a path to increased investment and illuminate new business cases. A pessimistic and limiting view of evaluation is that you should do it so that no one takes away your resources. A more constructive view is that it could help you to increase investment in what is working, or to scale what is working to new areas of your organization.

## Evaluating Your Favorite Program

The basic building block of talent management is a program, project, or initiative. You might be working to promote certain people into special roles or to change the composition of your workforce. For this example, assume you are dealing with a learning intervention. Once your learning intervention is designed, developed, and deployed, you want to know if it is working.

Ideally, you want multiple indicators of impact and quality to give you additional confidence in the results and thus strengthen your story. Think of the airports you've visited recently. They may have fancy Doppler radars, but you may also have noticed old-fashioned wind socks blowing next to the runway. Even if the radar is broken, pilots can still get a reasonable sense of which way the wind is blowing.

You can see a similar benefit with your learning program by thinking of evaluation not as one magical measurement tool but as a measurement stack. Several levels of analytics are needed to provide a balanced view of effectiveness that can link talent management efforts to individual performance and then to organizational performance. Any data point has strengths and weaknesses, but if all the data points are trending in a positive direction, they will support a reasonable business decision that you are achieving your goals.

At IBM, the components of the measurement stack are:

- *Alignment.* This is the business reason for deploying the learning offering, including the performance objectives that it is designed to address. If an investment is going to be made, there should be a good reason.
- *Deployment targets.* For the offering to have its desired impact, it must deploy to the target population. This is not always straightforward in a large global enterprise, which is why deployment targets merit inspection.
- *Facilitator feedback.* If your learning offering is facilitator led, the facilitators are thus important sources of feedback on how the offering's design works in practice. Facilitators are an organization's field agents. Don't overlook them.
- *Participant satisfaction.* The lack of correlation between student satisfaction and business impact is well researched. The value of collecting this information is that it serves as an early warning system. Even if your learning offering is challenging, employees should feel—and be able to articulate—that they have received value by the end of it. If they do not, something is wrong and you have a problem to address. Satisfaction does not equal impact, but complaints do indicate a problem.
- *In-program performance.* Largely, these assessments are of employee performance on exams, simulations, practice exercises, and so on. You can think of the results as "grades," but there is also scope for pre- and post-surveys of confidence in

performing some tasks in line with Albert Bandura's research on self-efficacy.

Designing a learning offering or talent initiative to produce meaningful measures is an obvious way to obtain meaningful measures, but this idea is often overlooked due to time or deployment pressures. Programs that generate performance metrics are usually more complex to run and thus more expensive. No one likes expensive programs, but you get what you pay for. If you will need data later, invest the time in designing your program to produce it.

- *Business impact.* Business impact indicators measure behavior change that in turn leads to greater workplace effectiveness or efficiency. For smaller efforts, you can rely on surveys and focus groups. For larger efforts, you can correlate the learning with measures such as improved retention, client satisfaction, or sales quota attainment.

You will see overlap here if you are familiar with Donald Kirkpatrick's four levels of learning evaluation (reaction, learning, behavior, and results). Kirkpatrick covers the measurement stack from participant satisfaction to business impact. What IBM's measurement stack adds is a foundation spanning from business alignment to facilitator feedback. These additions are necessary to the success of a program, so a program manager needs to care about them, too.

The full measurement stack is also a bit different from what stakeholders—the people who paid for and sponsored the effort—care about. They will tend to focus on the bookends of the stack: the alignment story and the business impact. While they might be interested in some of the data from the middle layers as an indicator of quality or progress, they are fundamentally not going to be happy unless the alignment story resonates and the business impact data seem credible. Yet a diligent program manager still cannot ignore the middle layers, which are what set up the eventual achievement of business impact. The middle layers also provide a window into what is really happening that is needed to conduct formative evaluations—the ongoing inspections and enhancements that keep a program moving smoothly over time.

Laying out a logical framework is only part of the battle. Next, the more challenging part, is making it a reality. Why aren't thoughtful evaluations more common across organizations and institutions? One challenge is that business impact can be almost impossible to assess—especially as programs become shorter. Consider a two-day learning program that by some miracle manages to improve employee performance by 2 percent. This would be an amazing result given the short length of the program. It would also be worth a great deal calculated as an annuity spanning the employee's career. However, a 2 percent increase is almost impossible to detect given all the statistical noise associated with ever-changing business conditions. You need a sizable difference in performance for it to be detectable, and that usually requires a relatively comprehensive intervention, not a quick-hit effort.

Another challenge is deciding what metric to actually assess. You can measure retention, a favorite because replacement recruiting costs tend to be a huge burden on organizations with high turnover. And you can calculate the impact of leaving the role (such as a salesperson) unfilled while you search for a replacement. When an effort is directly tied to producing revenue, you can identify data points such as sales quota attainment or deal profitability. The particular business model of an organization will thus determine the metrics. For example, universities are interested in the number of applications they receive, and they may have talent-related efforts targeted at boosting this number, such as making better use of alumni networks to market the school to potential applicants.

When you have the benefit of clear outcome measures, you should make every effort to evaluate impact. You will want to take advantage of these opportunities because there will also be times when the measures are not so obvious. You can tolerate a few mysteries if you have a few compelling winners.

Leadership-related learning is a good example of the challenges of determining outcome measures. Most organizations agree that training leaders is constructive and so they are hesitant to stop these programs. But quantifying the difference these programs make is difficult. If you're training new managers for their new job, you can look at retention, but the impact may be too small to notice. The impact varies widely from person to person and usually takes a long time to translate into business results across the team being led. You may simply be unable to tell what the real business impact is and thus need to rely on other parts of the measurement stack to show that your efforts are good enough. In the end, you can make this compromise more easily when you have other efforts that you can assess for business impact.

Of course, you should never be satisfied when forced into this situation. Given enough time and resources, you can always find a way to measure impact. Many professionals have shared clever solutions to tough assessment situations, and you may be able to adopt one for your effort. However, the phrase "given enough time and resources" is also something to carefully consider. Although you may be tempted to think of learning evaluation as an experiment in which you are a talent scientist collecting rigorous data to prove or disprove a hypothesis, the situation is a bit different within a business context.

You will need to solve the "next dollar" optimization problem. Broadly speaking, an organization can invest its next dollar in measuring past efforts (which have already happened and cannot be changed) or in driving new efforts (which presumably support an important organizational goal). Neither end of this spectrum is an appealing place to be. Just as it would be grossly inefficient and ponderous to measure absolutely everything, it would be irresponsible to have no measures—and no guidance—at all. The trick to being agile from a talent management perspective is to have just enough information available to make reasonable business decisions faster than your competitors.

In the real world, people rarely take the time to calculate the detailed total cost of owning a new car or a formal return on investment from a college degree. It would simply take too much time amid other responsibilities. Instead, they weigh a variety of factors to make a reasonable decision for themselves and their families. Likewise, organizations usually are working on more than one project at a time. Over time, organizations that can quickly make a good decision most of the time will outmaneuver competitors that very slowly make great decisions. And organizations that invest 75 percent in doing and 25 percent in assessing are going to accomplish more than competitors with reverse proportions. Effective evaluation is a step toward doing more of the right thing—it is not the ultimate destination.

## Evaluating a Portfolio of Programs

Going beyond evaluating the value of a single effort, what if you are an executive responsible for a broad portfolio of talent efforts? You will need advanced organization to gather data from multiple projects and form it into a story. This is where dashboards come into play. With various software packages, you can import multiple streams of data and organize them graphically. IBM Learning uses an automated dashboard to show learning by business unit and region based on data from its learning management system, HR databases, and financial systems. This allows learning executives to show line leaders what learning is being consumed by their part of the business. It also enables the discovery of simple correlations of learning categories with retention, the cost of employees canceling their enrollments, and trend analysis in emerging areas of the business.

But dashboards need not be endlessly fancy. Anything can be a dashboard—a spreadsheet, a poster, an online document. A dashboard is just data you care about organized and shared in some repeatable way. You can make it with software. You can make it with an intern. You can make it with a graduate student. All you need is a little thinking and some follow-through.

There is also very much a place for more qualitative dashboards. For example, the IBM Learning design team creates and enhances all kinds of learning interventions and assets. The value of these investments should be known and shared, but each effort is unique to some degree, which makes a spreadsheet-type summation inappropriate. Instead, the design team uses a balanced scorecard approach to report qualitative information on innovation, business impact and value, cost savings and efficiency, and stakeholder feedback quarterly. The technology used to design the scorecard? A simple wiki.

## Telling Stories and Predicting the Future

A qualitative dashboard is not inferior to an automated dashboard featuring lots of numbers and graphs. At some point, you need to turn the raw numbers into a qualitative story. You cannot just throw the raw numbers at stakeholders and ask them to interpret the numbers. Talent management professionals want—and need—to find that meaning behind the data.

And the conversation should not end at “Everything is okay.” It should continue to cover what should happen next. You need to use the data to explore where existing efforts should scale further or shift to a new part of the business. If you evaluate your programs and construct your automated dashboards carefully, you may be able to identify results that predict an outcome.

For example, a study of an IBM sales training program showed that sellers from certain business units and certain levels of experience increased their sales the most. Logically, these particular sellers should be the preferred audience for the program going forward. If you have a clearly quantifiable outcome and a large population, you may be able to conduct additional statistical analysis to identify predictors of performance.

The statistics behind predictive modeling are well defined. If you are considering expanding the evaluative capabilities of your team, you may want to prioritize the ability to conduct predictive analysis because it provides a data-based foundation for better decision making. Go beyond just reporting on activity and be a collaborative partner in the decisions contemplated by your stakeholders.

## Benchmarking

Evaluating a talent program or portfolio requires focus, but you need to be careful not to restrict your field of vision. While an evaluation will clarify what has been achieved, it will usually not generate ideas on how to dramatically increase impact beyond incremental enhancements. Measurement is like a tape measure that will tell you the height of the room you are standing in, not the architect who will advise you on how to build additional rooms above. For this reason, benchmarking—comparing what you do with what other organizations are doing—should be considered part of a holistic analytics approach. Professional associations, competitive award programs, conferences, and publications are all sources of benchmarking data on best practices for related organizations. It is not data in the numerical sense, but in the sense of information that pushes against the tendency to focus on the work before you, increasing your range of potential talent management approaches.

Not all ideas need to be “big ideas” either. A collection of great small ideas might be more flexible and reusable than a compelling but complicated vision. For example, a software platform designed to present business analytics could easily be used to create a talent dashboard. A technique like medical odds ratios—“people who took drug ABC were three times more likely to feel better”—can be used to describe the impact of a talent initiative, especially when effect sizes are fairly small, yet still important. The realm of talent management analytics is filled with opportunities to combine innovative techniques from other disciplines in new ways.

## Do Something Simple Fast

Effective talent management doesn't need to be an inflexible factory constructed laboriously over time. It can instead follow the agile approaches particularly common among technology startups where borrowing, prototyping, and experimenting enable rapid progress and iteration closer and closer to desired goals. There is no requirement that every great idea be yours. As Pablo Picasso said, "When there's anything to steal, I steal." The more relationships and connections you have beyond the scope of day-to-day work, the more ideas you can try in service of ever-faster progress on your talent management efforts.

Talent management analytics is one side of the talent management coin. (The other side is the actual management—all the actions to improve the productivity of your organization.) Analytics and reporting let you know how a learning offering is performing, its pace, its quality, its impact, and its future potential. Without these insights, you won't know if you are making an impact at all, or how you might make a larger impact.

The breadth of analytics and reporting is a challenge and an opportunity. While complex, statistical analysis helps you more credibly answer the "So what?" question of whether an investment is worth it. Constructing a compelling story around a portfolio of offerings is not easy, but that story describes the value of your entire talent management team to the rest of the organization. Keeping up-to-date with professional literature and events adds time to already busy days, but it is the source of fresh insights.

However your team is organized, all these competing demands need to be balanced and optimized. To do it, ask these questions about your team:

- Do you know the quality of what is happening?
- Do you know that what is happening is making an impact?
- Do you have information you can easily share with your stakeholders?
- Do you take action based on historical data?
- Do you take action based on predictive models?

Talent analytics and reporting can help you know what is working so that you can do more of it. Whether you conduct talent analytics and reporting in a big, fancy way or in a practical, homegrown way does not matter so long as it works for you. There is no extra credit for style.

If you are at the beginning of this journey, be brave and start somewhere. If you've been on this journey for a while, look for additional areas or people you can incorporate into your analytics and reporting. Just like a snowball that gets bigger when you roll it across more snow, talent analytics and reporting gets bigger—and better—when you feed in more

information to process. You and your stakeholders need to know the value and impact of your talent investments. Find out how you're doing and share it.



## About the Author

Matthew G. Valencius leads the instructional design and development team within the IBM Center for Advanced Learning. He and his team design learning for IBMers across all roles and countries—motivated by the fundamental belief that learning design can help people everywhere improve their performance to be more successful and create a better world. He has held many roles within IBM Learning, focusing on creating innovative and award-winning training offerings and technologies.

 Chapter 14

# Making Talent Analytics and Reporting a Decision Science

*John W. Boudreau and Edward E. Lawler III*

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Talent analytics and reporting must shift from a focus on cost-efficiency and process effectiveness, while familiar and important, to a balanced combination that also extends to strategic measures that enhance talent and business decisions. Only if talent analytics progress can executives and investors make decisions based on complete information about the effectiveness of an organization and its business strategy.

An organization's human capital is one of its key assets, and as such, warrants measurement that yields valid data about what it can do, its condition, and how it fits with the organization's management approach and strategy. In addition, the increasing expectation that HR will provide predictive analytics based on massive amounts of real-time data about employees, not just descriptive analytics, adds to the importance of evolving from describing the efficiency and effectiveness of talent and HR to measuring the current and future impact of talent on organizational effectiveness.

This chapter describes the results from a 2013 survey we conducted of global HR leaders in 416 companies, and compares those results with earlier surveys conducted over the last 20 years (Lawler and Boudreau 2015). If the HR profession is building toward a decision science, it should see increased use and effectiveness of talent measures and analytics, and that higher use and effectiveness should relate to a stronger strategic HR role. The survey results suggest there is still much room for improvement:

- Talent analytics has remained stubbornly traditional for decades, and yet the use and the effectiveness of talent analytics is positively related to HR's role in strategy.
- Decision support is the least frequent talent analytics activity, with most activity describing HR efficiency or program effectiveness.
- Talent analytics effectiveness has improved moderately since 2007.
- These findings are consistent globally, particularly in Western countries. HR leaders in China rate their organizations somewhat lower than other regions on talent analytics use and effectiveness, and HR leaders in India are generally more positive

than other regions about the use and effectiveness of talent analytics.

- Organizations that take a bureaucratic or low-cost competitor approach to management consistently report greater use and effectiveness of talent analytics.
- Organizations that take a high involvement approach to management consistently report higher talent analytics use and effectiveness.

### Survey Approach

To determine how organizations are using talent analytics, we conducted a global study of corporate talent management in 2007, 2010, and 2013, collecting data from HR executives in companies with 1,000 or more employees (Lawler and Boudreau 2015). One executive per company responded, usually the chief human resources officer or a direct report. In 2013, responses were received from 416 companies in Australia, Canada, China, Europe, India, and the United States. Companies in the U.S. sample had a median of 14,000 employees, while companies in the international sample had a median of 4,200 employees. The U.S. firms had median revenues of \$5 billion, compared with \$2 billion for the international sample.

## Talent Measures and Analytics Use

In this section, let's examine how frequently each category of talent analytics measures is used, and whether its use varies across regions. Let's also examine whether its use is related to the strength of HR's strategic role, and whether the organization's management approach relates to the usage pattern of talent measures and analytics.

As part of our 2013 survey, we asked global HR leaders about the use of talent measurement in three key areas: efficiency, effectiveness, and impact (Boudreau and Ramstad 2007; Cascio and Boudreau 2011). Efficiency refers to the amount of resources that HR programs use, such as cost per hire. Effectiveness refers to the outcomes produced by HR activities, such as learning from training. And impact refers to the business or strategic value created by the HR activities, such as higher sales. Measuring all three is often required to fully understand how HR investments and practices affect organizational performance.

We measured use of talent metrics with nine items. Efficiency items included "the financial efficiency of HR operations," "the cost of providing HR programs and processes," and "benchmarks against outside organizations." Effectiveness items included "HR dashboards or scorecards," "effects of specific HR programs (learning from training, motivation from rewards, validity of tests, and so on)," and "cost-benefit analyses of HR programs." Impact items included "the business impact of HR programs and processes," "the quality of the talent decisions made by non-HR leaders," and "the business impact of high versus low performance in jobs."

[Exhibit 14-1](#) shows the results for the average use of HR metrics in talent analytics for the surveyed regions in 2013. Across all regions, the greatest use appears in efficiency measures, with effectiveness measures slightly lower and impact measures the lowest. However, even efficiency item averages suggest that such measures are being planned or built, but are not available now. As such, it appears that all measures are generally at an early stage.

To further investigate this, we calculated the percentage of U.S. organizations that reported they "have measures now" for the impact items. Only about one in 10 reported it now has measures for the business impact of performance differences in jobs and for the quality of talent decisions. About 22 percent reported they now have measures for the business impact of HR programs and processes, which, while encouraging, may be an overestimate. Our experience suggests that when HR executives are asked if they "measure business impact," they often interpret it to mean program effectiveness (the effects of specific programs on workforce changes such as skills, competencies, and attitudes) or efficiency (the effects of programs on cost savings), rather than the effects of such programs on business outcomes such as financial performance and sustainable effectiveness.

The regional patterns are also interesting. While all regions reflect the general pattern that efficiency measures are more frequently used than effectiveness and impact measures, it is somewhat less pronounced in Australia, the European Union, and the United Kingdom. In the United States, the pattern reflects significantly higher use of efficiency measures, while in Canada, Australia, the European Union, and the United Kingdom, it reflects a significantly lower frequency of impact measures. In China, the averages are much more similar across the three measurement types, because China reported the same low level of impact measures as other countries, and the frequency of efficiency and effectiveness measures was at that same low level in China. The use of dashboards or scorecards as well as financial efficiency and benchmarking is significantly lower in China than in other countries. Measures of the business impact of HR programs are used more in the United States and Australia than in Europe and Canada. HR leaders in India rated the use of measures somewhat higher than other regions, particularly for the impact of performance differences in jobs.

#### Exhibit 14-1. Average HR Analytics and Metrics Use

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<b>Measures</b>	<b>Region</b>						
	United States	Canada	Australia	European Union	United Kingdom	India	China
<b>Efficiency</b>							
Do you measure the financial efficiency of HR operations (e.g., cost per hire, time to fill, and cost of training)?	3.1	2.8	3.0	2.7	3.1	3.1	2.3
Do you collect metrics that measure the cost of providing HR programs and processes?	2.9	2.5	2.6	2.6	2.6	3.1	2.4
Do you benchmark analytics and measures against data from outside organizations?	3.0	2.9	3.1	2.7	2.8	3.0	2.2
<b>Effectiveness</b>							
Do you use HR dashboards or scorecards?	3.1	3.0	3.2	2.9	3.3	3.1	1.8
Do you measure the effects of specific HR programs (e.g., learning from training, motivation from rewards, validity of tests, etc.)?	2.3	2.0	2.5	2.2	2.4	2.7	2.4
Do you have the capability to conduct cost-benefit analyses (also called utility analyses) of HR programs?	2.3	1.9	2.2	2.0	2.5	2.7	2.2
<b>Impact</b>							
Do you measure the business impact of HR programs and processes?	2.5	2.0	2.8	2.3	2.5	2.8	2.4
Do you measure the quality of the talent decisions made by non-HR leaders?	1.9	1.5	2.0	2.0	1.7	2.4	1.9
Do you measure the business impact of high versus low performance in jobs?	1.9	1.8	1.8	1.8	1.6	2.6	2.0
<i>Note: Response scale: 1 = not currently being considered; 2 = planning for; 3 = being built; 4 = yes, have now.</i>							

China has very similar ratings for all three types of HR measures, while other countries show a pattern of more use of efficiency measures, less use of effectiveness measures, and the least use of impact measures. This may be due to the fact that HR in China has emerged more recently, and so progress on effectiveness and impact measures has been similar to efficiency measures, while in other countries, the efficiency measures may have emerged earlier, before many of the current impact measurement technologies and frameworks were widespread.

When comparing the 2013 survey results in [Exhibit 14-1](#) to earlier surveys, we found that the 2013 results show a decline in the use of impact measures. Every impact measure rating in 2013 is lower than in 2010, with some even lower than in 2007. When it comes to using talent analytics and reporting, progress appears slow at best, and reporting of HR's impact may even be declining.

## Talent Analytics and Reporting Use and HR's Strategic Role

Is the use of talent analytics measures important to HR's strategic role? To find out, we calculated the correlations between each of the measurement items and a separate item assessing HR's role in strategy. That item asked HR leaders to rate HR's role in implementing their company's strategy on a four-point scale: 1 (no role), 2 (involved), 3 (provides input and helps implement), and 4 (full partner). For example, 4 percent of U.S. organizations rated HR's role as having no role in implementing business strategy, 22 percent as being involved in implementing it, 54 percent as providing input and helping implement it, and 21 percent as being a full partner in developing and implementing it. The responses clearly indicate that HR is not a full partner in most companies in the United States, and the results were similar for other regions.

Looking at the association between measurement use and the rating of HR's strategic role, you can see that they are consistently and significantly positively related. All except two of the measurement items are positively correlated with greater HR involvement in strategy. However, not all types of measures are equal when it comes to HR's role in strategy. In both the 2010 and 2013 survey data, neither measures of non-HR leaders' talent decisions nor measures of the difference in the impact of job performance between roles were significantly related to HR's role in strategy. HR's strategic role was more strongly related to traditional measures such as benchmarks and scorecards.

All three of the effectiveness measurement categories were significantly related to HR's role in strategy, yet in 2013 less than half of HR leaders reported their companies use scorecards and only a quarter reported using measures of program effects and cost-benefit. Moreover, these proportions are actually lower than in 2010, when more than half of companies used scorecards and more than a quarter used the other two categories. While correlations do not imply causation, it is nonetheless a paradox that the use of these measures seems to have declined, despite their strong association with HR's strategic role.

Why does using efficiency and effectiveness measures relate more to HR's strategic role than using impact measures? Perhaps the prominence of efficiency and effectiveness measures relative to impact measures is understandable, as the tidal wave of data and the greater ability of HR information systems to deliver those data through cloud-based applications is daunting. Organizations can be forgiven for retreating to measurement approaches that reflect the tried-and-true emphasis on saving money or producing an immediate program effect. Measures of specific HR program costs are easy to understand because they associate particular programs with tangible outcomes such as performance ratings, turnover levels, and engagement scores. As a result, they help to establish HR as business focused and a credible contributor to business strategy decisions.

Talent leaders can initiate strategic involvement by using efficiency and effectiveness

measures. These measures are often the gateway to developing a more sophisticated decision science, as shown by the history of analytics in disciplines such as marketing and finance (Boudreau and Ramstad 2007). More common measurement elements (efficiency, cost, and dashboards) have credibility with business leaders. They may represent an attractive first step in the measurement journey that leads to HR leaders becoming more strategically effective by using and communicating the value of less common talent analytics such as the quality of talent decisions.

But the gap between efficiency and effectiveness measures and impact measures is also paradoxical, because this same tidal wave of data is uniformly expected to create a demand for more sophistication and differentiation in human capital decisions. The demand for predictive analytics reflects an interest in predicting the impact of talent and HR investments on strategic outcomes, not merely on the costs and effectiveness of HR programs. The impact measures form the basis for such sophistication. A fixation on costs can encourage cutting expenses, even when as a result important benefits are sacrificed.

Considering the nonsignificant correlation with HR's role in strategy for the impact measures, it is not surprising that their use has declined since 2007. That said, such measures are often vital to developing a decision science for HR. But HR may simply lack the capability to use such measures effectively or HR's constituents may not be receptive to such measures, thus giving them far less of an effect than more traditional measures. Impact measures may reveal patterns that make HR leaders and their constituents uncomfortable.

For example, an organization that measures the business impact of performance differences may discover that the difference between good and great performance in some positions has much greater effect than in other positions. However, its leaders may be ill-equipped to explain these differences to employees, and even less prepared to act on them, by differentiating rewards or development opportunities. Similarly, if HR systems track the quality of talent decisions made by leaders, they may reveal which leaders have shortcomings in their talent decisions, and many HR and non-HR leaders are reluctant to address these shortcomings.

Thus, when it comes to measuring and analyzing HR impact, talent leaders must address challenges that extend beyond simply measurement use and reporting. They need to be better prepared to use impact-based analytics, as well as efficiency and effectiveness measures. There is value for HR in developing impact measures and educating HR's constituents to understand and use them.

So far, this section has noted that the use of talent analytics and measurement is moderate at best. But are there certain organizational characteristics that explain why some organizations use such measures more than others?

## Management Approaches and the Use of Talent Analytics

Through our research, we found that the use of talent analytics is consistently related to how an organization is managed. As part of the 2013 survey, we asked HR leaders to rate the degree to which management approaches related to their organization: 1 (little or no extent), 2 (some extent), 3 (moderate extent), 4 (great extent), and 5 (very great extent). Here are the management approaches, followed by their average rating:

- bureaucratic: hierarchical structure, tight job descriptions, and top-down decision making (2.8)
- low-cost operator: low wages, minimum benefits, and focus on cost reduction and controls (2.2)
- high involvement: flat structure, participative decisions, and commitment to employee development and careers (2.9)
- global competitor: complex interesting work, desire to hire the best talent, and low commitment to employee development and careers (2.9)
- sustainable: agile design and focus on financial performance and sustainability (3.2).

When we analyzed the relationship between the management approaches and the use of talent analytics, the bureaucratic, global competitor, and sustainable approaches were unrelated to the pattern of measurement use. However, the high involvement approach shows significant positive correlations with all the talent analytics measures, particularly for five of the nine measurement uses: measuring HR costs, using dashboards, conducting cost-benefit analysis, measuring the quality of leaders' talent decisions, and measuring the business impact of performance differences. There were significant negative associations for the low-cost operator approach with measures of HR program cost and dashboards.

Research indicates that the high involvement approach is generally positively associated with the use of advanced HR practices, and this holds true for using more extensive HR measurement (Lawler and Worley 2012). In particular, organizations that emphasize the high involvement approach seem friendlier to measuring and reporting the talent decisions and performance impact of leaders (Lawler and Boudreau 2015). It may be that pursuing a high involvement approach naturally leads to discussions about these measurements, thanks to greater employee engagement. In such situations, this management approach creates a culture and management mindset that is more prepared for the challenges that come with such measurement.

Now that we've examined the patterns of talent analytics and measurement use, let's turn to examining whether talent analytics and measurement are effective.

## Talent Analytics and Measurement Effectiveness

In this section, let's examine the effectiveness of talent analytics measures, and whether effectiveness varies across regions. As in the previous section, let's also examine whether their effectiveness is related to the strength of HR's strategic role, and whether the organization's management approach relates to the effectiveness pattern of talent measures and analytics.

To measure the effectiveness of talent metrics and analytics, we created two categories: talent analytics that support HR's contributions to strategy and talent analytics that support the internal function and operations of HR. The items for strategy contribution measures are improving decisions about business strategy and human capital management, identifying where talent has the greatest potential for strategic impact, connecting human capital practices to organizational performance, and supporting organizational change efforts. The items for functional and operational contributions are assessing and improving HR department operations, predicting the effects of HR programs before implementation, pinpointing HR programs that should be discontinued, and using big data.

[Exhibit 14-2](#) shows how HR leaders rate the effectiveness of these HR measures and analytics. The pattern is similar across all regions, except in India and China. All the measurement and reporting outcomes show effectiveness ratings hovering around 3.0 (neither effective nor ineffective), with many below 3.0. The results for 2007 and 2010 are similar, suggesting progress is slow but with some promising trends.

### Exhibit 14-2. Average HR Analytics and Metrics Effectiveness

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<b>Outcomes</b>	<b>Region</b>						
	United States	Canada	Australia	European Union	United Kingdom	India	China
<b>Strategy contributions</b>							
Improve decisions about business strategy and human capital management	3.1	3.1	3.4	3.1	3.0	3.3	3.2
Identify where talent has the greatest potential for strategic impact	3.0	2.8	3.0	2.9	2.6	3.4	3.1
Connect human capital practices to organizational performance	2.7	2.6	2.7	2.8	2.2	3.4	3.0
Support organizational change efforts	3.3	3.2	3.4	3.2	3.3	3.5	3.3
<b>HR functional and operational contributions</b>							
Assess and improve HR department operations	3.3	3.0	3.4	3.3	3.3	3.5	3.4
Predict the effects of HR programs before implementation	2.6	2.6	2.5	2.6	2.5	3.2	3.1
Pinpoint HR programs that should be discontinued	2.7	2.8	2.6	2.5	2.9	3.1	2.8
Use big data	2.4	2.4	2.2	2.5	2.2	<sup>a</sup>	3.0
<i>Note: Response scale: 1 = very ineffective; 2 = ineffective; 3 = neither; 4 = effective; 5 = very effective.</i>							
<i>a. Companies in India were not asked this question.</i>							

For the U.S. sample, in 2010 no outcomes were rated effective or very effective by more than 40 percent of respondents, but in 2013 three exceeded this level (improve decisions about business strategy and human capital management, support organizational change efforts, and assess and improve HR department operations). Two of the highest rated outcomes are related to strategic contributions (support organizational change efforts and improve decisions about business strategy and human capital management); they were also highly rated in the 2010 study. A third strategic outcome (identify where talent has the greatest potential for strategic impact) showed a significant increase in the percentage of those rating it effective in 2013 compared with in 2010, particularly in the United States. The other two highly rated items concern assessing and improving HR department operations and connecting human capital practices to organizational performance.

While there are encouraging gains in effectiveness ratings for these strategic contribution measures, this is in the context of only moderate effectiveness ratings overall. With few exceptions, the results are similar to those from our surveys dating back to 2004. The effectiveness ratings have consistently been either at or slightly below the midpoint on the five-point scale. Thus, effectiveness improvement is possible in using analytics to support

strategic and functional HR contributions.

China and India are notable exceptions, with average ratings generally higher than the other regions. HR executives in China and India consistently rate the effectiveness of their metrics slightly above the scale midpoint on almost all items, while in the other regions, the ratings are more varied. Based on the data, it is not possible to tell if companies in China and India are more effective at talent analytics, or if their higher ratings are a novelty effect, reflecting the recency with which talent analytics systems have been implemented there. In regions where such systems have a longer history, HR executives may have developed higher standards for effectiveness.

Similar to the suggestion about talent analytics use, it may also be that in China and India, the more recently emerged HR functions can immediately use the increasingly efficient measurement systems that are embedded in modern technology platforms and HR information systems. Or it may be because China and India have fewer legacy HR systems to hold back such adoption, a leapfrog effect has taken place.

## Talent Analytics Effectiveness and HR's Strategic Role

As with the talent analytics use, we examined the relationship of talent analytics effectiveness and the strength of HR's strategic role. All the effectiveness ratings were significantly and positively associated with HR's role in strategy. Notably, big data appears to still be an emerging area, yet effectiveness in using big data generated a significant correlation with HR's strategic role, though somewhat less than other effectiveness items. Thus, it appears that when HR is effective in using big data, it also plays a stronger strategic role.

Compared with the 2007 results, the 2013 correlations between measurement effectiveness and strategic role are higher and more frequently statistically significant. It appears that effective talent analytics and reporting is increasingly associated with a strong HR strategic role. Talent leaders thus need to further emphasize measurement and analytics effectiveness, not simply the use of analytics. They need to carefully consider how talent analytics can visibly add value in ways that constituents understand and embrace.

## Management Approaches and the Effectiveness of Talent Analytics

Earlier, we saw that an organization's management approach is systematically related to the use of talent analytics. Is its management approach also related to the effectiveness of talent analytics? Yes.

High ratings on the high involvement approach show the most consistent and strong correlations with the effectiveness of talent analytics. The strong relationship between the high involvement approach and talent analytics effectiveness across all the items in [Exhibit 14-2](#) suggests that high involvement organizations may make employees and the employment relationship a key driver of competitive success and performance.

The sustainability approach shows a positive relationship with identifying where talent has the greatest potential for strategic impact in the 2013 survey, but this is very different from the 2010 results. In 2010, the focus on sustainability had many more significant correlations with analytics effectiveness, so it appears that this approach is less generally positively related to measurement effectiveness in 2013.

The bureaucratic and low-cost operator approaches both show negative correlations with most elements of measurement effectiveness, and some of these negative correlations are statistically significant. When organizations emphasize a bureaucratic or low-cost operator management approach, they are significantly less likely to have measures that contribute to strategic decisions, support organizational change efforts, improve HR department operations, encourage using logical principles, and motivate action. The causal direction could go either way, but it seems most likely that pursuing a bureaucratic or low-cost operator approach simply and directly leads to less attention to talent analytics and thus less effective HR measures.

Talent leaders need to approach talent analytics as a change process, not simply one of generating data and findings. The strong association between talent analytics effectiveness and HR's strategic role suggests great potential. However, talent leaders should be aware that in units that emphasize bureaucratic or low-cost operator approaches, the change process may be more challenging, and achieving effectiveness may be more difficult. It may be advisable to start in units with a management approach that is more supportive or compatible with talent analytics. If talent analytics is implemented in units with more of a bureaucratic or low-cost operator approach, talent leaders may need to find creative ways to demonstrate the value of a more strategic approach to talent analytics and to HR.

## Conclusion

The results reported here suggest that progress is slow, but there are some promising indicators that talent analytics through HR measurement is progressing. HR has a great opportunity to do more measurement that will have a positive impact. Evidence suggests that there are systematic patterns in talent analytics use and effectiveness, and that the pattern relates to the management approaches of organizations, as well as HR's strategic role. Notably, an emphasis on high involvement management approaches has a strong association with the use and effectiveness of impact measures, suggesting an organization's management approach can create a friendly environment for talent analytics. Talent leaders need to consider piloting measures in business units that take a high involvement approach, where there may be more support. When implementing talent analytics in units that take a bureaucratic or low-cost operator approach, talent leaders should devote additional attention to the change process, as it appears these units may present more formidable challenges.

Talent analytics remains underdeveloped and underused, so more attention to it is needed to harness the potential for improvement and added value. At this time, the best way to increase HR's strategic role is to create and use traditional efficiency and effectiveness measures. It may be wise for HR to start in traditional areas and work toward more advanced impact measures as executives develop their understanding of talent metrics.

Overall, the potential for talent analytics to contribute to HR's strategic value is significant, while the adoption and perceived effectiveness remains stubbornly moderate. Leaders both inside and outside of HR can find great value in pursuing talent analytics effectiveness at the strategic and functional levels. While our survey did not address the role of big data and predictive analytics, the trends depicted here will be amplified as these two forces increase. Talent leaders will need to be clear about the focus of their predictions, and recognize the difference between predicting program cost-efficiency and cost-effectiveness and determining the ultimate impact of programs on organizational outcomes.

Similarly, it will be even more vital to consider how talent analytics, fueled by even greater data and predictive power, is used and affects the decisions of constituents. The path to a greater strategic role today is through traditional HR measures, perhaps because key constituents define the value of talent in terms of costs and efficiency, rather than impact. Talent leaders must lead the change process necessary to not only enhance analytics elegance, predictability, and accessibility but also achieve improved decisions and performance.



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# The Age of Big Data and Talent Analytics

*Kevin Oakes and Cliff Stevenson*

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The age of big data has arrived, propelled by an unprecedented proliferation of computing and storage capabilities. With the resulting massive influx of data comes the urgent need—indeed, the opportunity—to make sense of it, to derive insights to make better decisions and improve performance. This applies at all levels of the organization, but it's the talent management function that may have the most open road ahead primarily because it's the corporate function that is probably the furthest behind.

Research such as the Institute for Corporate Productivity's (i4cp) *HR Analytics: Why We're Not There Yet* (2013a) points to an urgent call for analytical skills and acumen across organizations. Only about a quarter of organizations indicate that they are equipped to meet today's analytics needs. High-performance organizations are building analytical capabilities rapidly, by training existing talent and recruiting new talent. And they are doing so for one reason: to maximize performance and productivity.

Organizations with fully developed analytical skills—the ability to organize, analyze, and communicate data that can be applied to key aspects of their business including talent management—will continue to be the high-performance organizations in the years to come. Particularly important is having leaders who are comfortable and adept at incorporating analytics into their decision making.

In this chapter, the high performers are organizations that scored in the top quartile of the i4cp's Market Performance Index, which combines responses to questions related to four key areas of business success: revenue growth, market share, profitability, and customer satisfaction. They are outpacing low performers—those scoring in the bottom quartile—in developing analytical capabilities in four distinct ways:

1. *They have embraced the analytical mindset.* The executive teams at high performers have analytical abilities that surpass other departments. They understand the value of evidence-based decision making and the insights that can be derived from rigorously analyzing broad sets of data.
2. *They have greater analytical ability across job functions.* Across all functions (not just

finance), departments, and even generational groups, high performers have employees with higher levels of analytical skills.

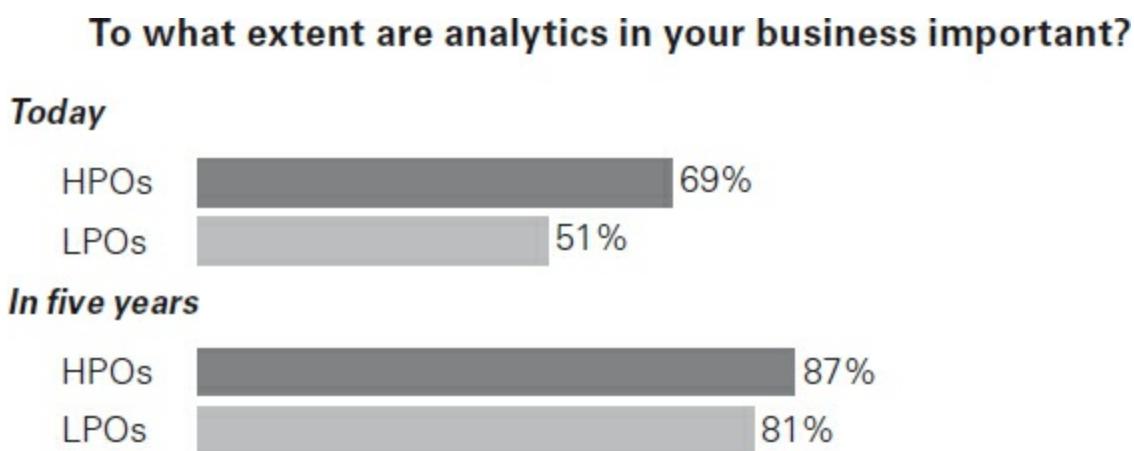
3. *They build analytical strength through hiring and training, with an emphasis on developing existing employees.* Leaders of high performers understand there is a lack of analytical talent, and this is driving up prices for those who possess these critical skills. Developing existing employees and moving employees across functions helps save money and time.
4. *They are prepared for the use of big data to help with HR decision making.* High performers leverage the massive amounts of available data, rather than being overwhelmed by them, to make decisions on strategic workforce planning, recruitment, and productivity. HR will play a large role in creating and shaping this new analytical workforce, and in some organizations it is already involved in the datafication of employee work. While a grand opportunity, HR has a double challenge when it comes to big data—acquiring and building analytical capabilities throughout the workforce while developing its own analytical skills to help manage talent more effectively throughout the organization.

Here are seven trends that are influencing the need for workforce analytics and talent measurement. Many of them have related themes such as the need for more analytically minded leaders and the use of data in decision making (rather than reporting and benchmarking). Together, these trends show that the ultimate goal of an organization's data use is in creating a more adaptive environment: one where organizations can quickly shift in accord with the needs of their customers and market.

## 1. Competitive and Performance Pressures Drive the Need for Better Analytics

The media has covered big data in depth over the last few years, and HR-specific publications have also increased their coverage of data-related topics. Despite this trend, are analytics actually a prime interest of organizations today? Overall 58 percent of organizations surveyed said that analytics are important now; 82 percent said it will be important in five years. Among respondents from high performers, 69 percent indicated that the importance was high/very high today, as opposed to only 51 percent among those from low performers (i4cp 2013b). Those from high performers also predicted that the importance of analytics would rise to 87 percent in five years' time, compared with 81 percent from low performers ([Exhibit 15-1](#)).

Exhibit 15-1. High Performers Have Already Embraced Analytics



Source: i4cp 2013b.

High performers have already embraced the need for analytical skills, and many of today's most successful organizations—Google, Amazon, and IBM, for example—use data in significant ways to generate revenue. The analytical skills built into their organizations allow them to use data that likely go unused in other organizations.

Sometimes, embracing analytical skills simply means drawing correlations between disparate data sets, such as when Sprint was able to tie retirement plan participation rates to employee turnover (Davenport, Harris, and Shapiro 2010). The data for these types of analyses exist at most organizations; the skill is determining when and how to use these data. Google has made use of more traditional data sets, such as its Project Oxygen, which examined data specific to their managers and identified eight characteristics that had the highest correlation to future success. This type of analysis is not beyond the abilities of most organizations, but the perceived need to do these types of investigations may be missing.

Several factors—greater pressure for results, intense competition, increasing business

complexity—drive the need for analytical skills (Exhibit 15-2). These capabilities can be used to seize opportunities or to avoid risks. Historically, reliance on data has had a negative connotation—not just in business. *Moneyball*, Michael Lewis's bestselling book, tells of the battle between “old school” baseball scouts who use their gut instincts to assess players and the “new school” sabermetrics scouts who analyze baseball through the objective evidence of baseball statistics that measure in-game activity. Another high-profile example was seen during the 2012 presidential election, when statistician and journalist Nate Silver was derided for the bold predictions he made using purely statistical modeling—until election night, when his prognostications proved accurate.

Exhibit 15-2. Several Factors Drive the Need for Analytical Skills

**Which of the following create the greatest need for analytical skills in your organization?**



Source: i4cp 2013b.

Some managers might feel their ability to manage questioned by greater reliance on data for decision making and objective analysis. A common perspective is that management is an art rather than a science, which is a mindset that leads some to view with skepticism new analytical methods of dealing with data. The truth is that good management requires both art and science, and advances in analytics are revolutionizing the scientific aspects of management and decision making. The implication for executives is that they must have the ability (or the will) to learn new methods and ways of thinking.

The ability to effectively manage and lead will remain an indispensable skill, but when dealing with large groups of people, the skill of using statistical information to make the best possible business decision will become critical, especially in an age in which more employees are managed by fewer supervisors. One of the core competencies for managers has always been determining who top performers are, and a correlation to market performance was found in using data to determine accountability for results (both positive

and negative).

Managers who rely on analytics to make decisions are positioning their organizations for long-term success. The head of Google's HR department, Laszlo Bock, goes so far as to state that "all people decisions at Google are based on data and analytics" (Sullivan 2013). Google's use of data to help inform and enlighten managers plays no small part in the organization's overall success.

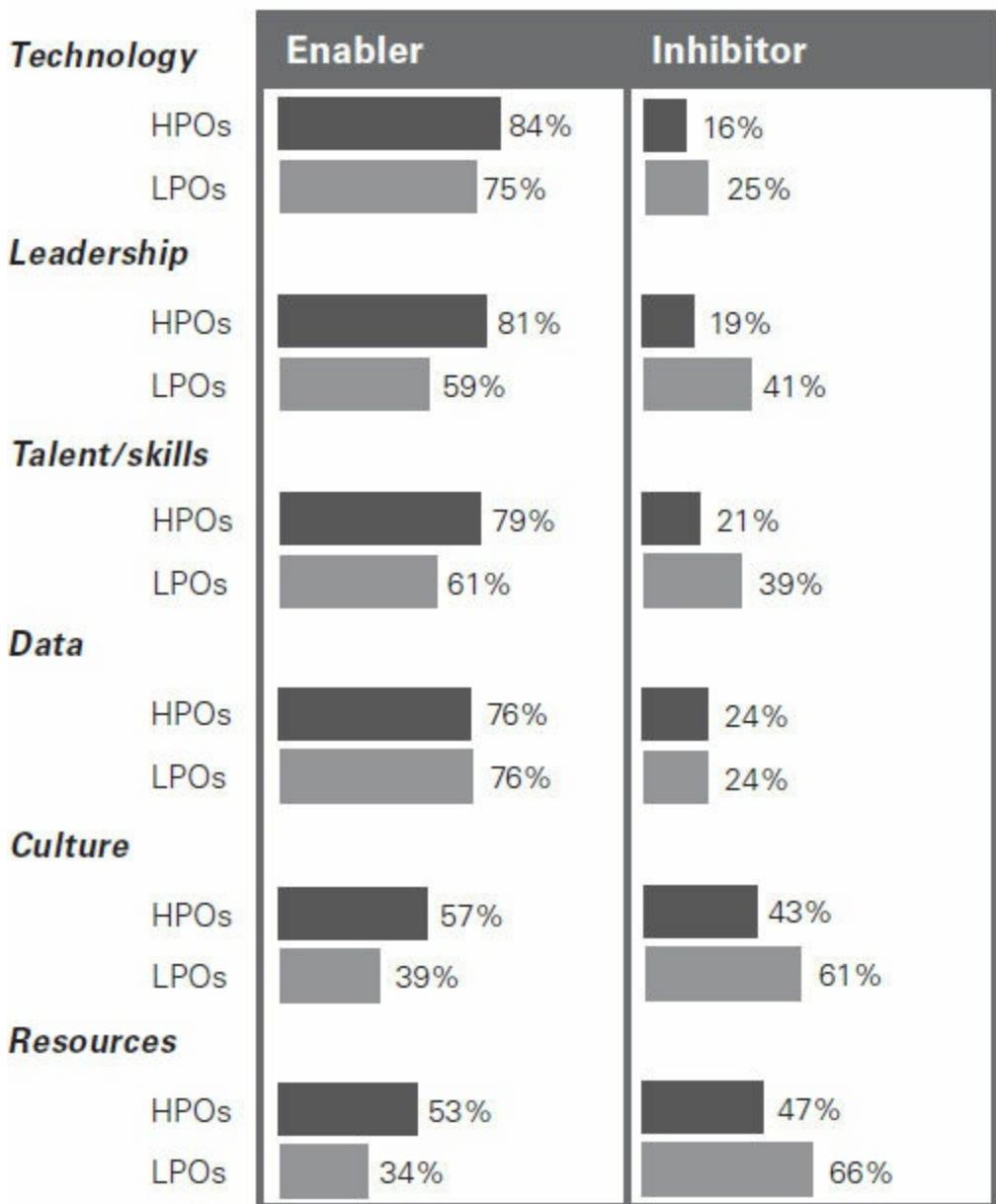
## 2. Technology, Data, and Leadership Enable Analytics

Once the decision has been made to invest in creating a more analytical organization, the next steps are learning how other organizations have made that investment and determining what ingredients need to be in place to ensure success and avoid mistakes. Technology, leadership, talent, and data all enable organizations to become more analytical, whereas culture and resources are the biggest inhibitors ([Exhibit 15-3](#)).

Exhibit 15-3. Technology, Leadership, Talent, and Data Enable an Analytical Organization

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**Which of the following is an enabler or inhibitor in your efforts to build an analytical organization?**



Source: i4cp 2013b.

Among high performers, technology and leadership, both of which are correlated to market performance, are the top enablers. While low performers agree on technology, they were twice as likely as high performers to indicate that leadership inhibits their ability to build an analytical organization. The perception that leadership was an inhibitor may mean that leadership does not value analytics, that there is no data-driven decision making in leadership, or that there is no funding for analytical initiatives. The same holds true for talent as a strong enabler for high performers while less so for low performers.

Only a small majority of high performers, and even fewer low performers, say that culture

and resources are enablers of analytics. These findings suggest that overcoming culture and resource barriers is essential in building a top-flight analytical organization.

**Exhibit 15-4** shows how these items can enable or inhibit the efforts to build an analytical organization. For example, technology enables analytics when an organization has integrated technology and analytical modeling tools, but inhibits analytics when an organization has disparate systems and lacks the necessary tools.

#### Exhibit 15-4. Analytics Acceptance Assessment

<b>Item</b>	<b>Inhibiting</b>			<b>Enabling</b>
Technology	Disparate systems and lack of tools	Some links of systems; reporting tools only	Automated interfaces and links to databases across systems; some analytical capability	Integrated technology and analytical/ modeling tools
Data	Inaccessible, fragmented, lack of standards and governance	Limited standardization; basic governance	Significant data standardization; governance extends beyond data definitions and collection methods	Fully standardized integrated data and enterprise-wide governance
Leadership	Leaders don't understand or fear evidence-based decision making	Leaders understand importance but don't have acumen	Some leaders are champions and role models for evidence-based decision making	Champions, role models, and users are pervasive
Talent/Skills	Analytical skills and acumen are scarce or nonexistent	Analytical skills and acumen exist in pockets	Analytical skills and acumen exist at top and in key functions	Analytical skills and acumen are ample throughout the organization
Culture	Actively resistant to change	Have difficulty adapting to change	Leadership promotes change	All levels of organization welcome new ways of doing things
Resources	Not seen as a priority; little or no resources allocated	Seen as somewhat important; modest resources allocated	Viewed as important; major resources allocated	Seen as critical; ample resources allocated

Source: i4cp 2013b.

### 3. Analytical Acumen Is Highest Among Leaders and Managers

Organizations are better positioned for overall market success when data, analysis, statistics, and probability are used to define and solve problems. And at the best-positioned organizations, this approach comes from senior leaders, who set direction for the organization and support analytical frameworks for making strategic decisions.

Research revealed that analytical acumen at organizations was found to be highest among leaders (74 percent reported adept or expert levels), those sitting on the finance and executive teams (58 percent and 51 percent, respectively), and those in the Gen X generational cohort (58 percent) (i4cp 2013b). This might indicate that organizational leaders who have taken a more analytical approach are those who truly understand how to harness this new way of doing business.

Although the analytical strength at high performers is perceived to be higher among executives and leaders and in finance, the correlation between analytical skill and market performance was found to be statistically significant at every job level and in nearly every department. It seems clear that when the way of thinking about and solving problems involves data, analysis, and statistics, organizations are better positioned for overall market success.

The highest analytical strength in low performers is found among functional experts, most often in finance but also in the Gen X cohort. This belies a more traditional mindset—that those in the organization identified as “the numbers people” should only be involved in the specialties usually associated with math and analysis, such as finance and operations. The leaders of truly innovative and successful organizations know that analytical strength must be prevalent through all levels and job functions. In fact, research shows that every job function at high performers rated higher in having expert analytical ability than those at low performers ([Exhibit 15-5](#)).

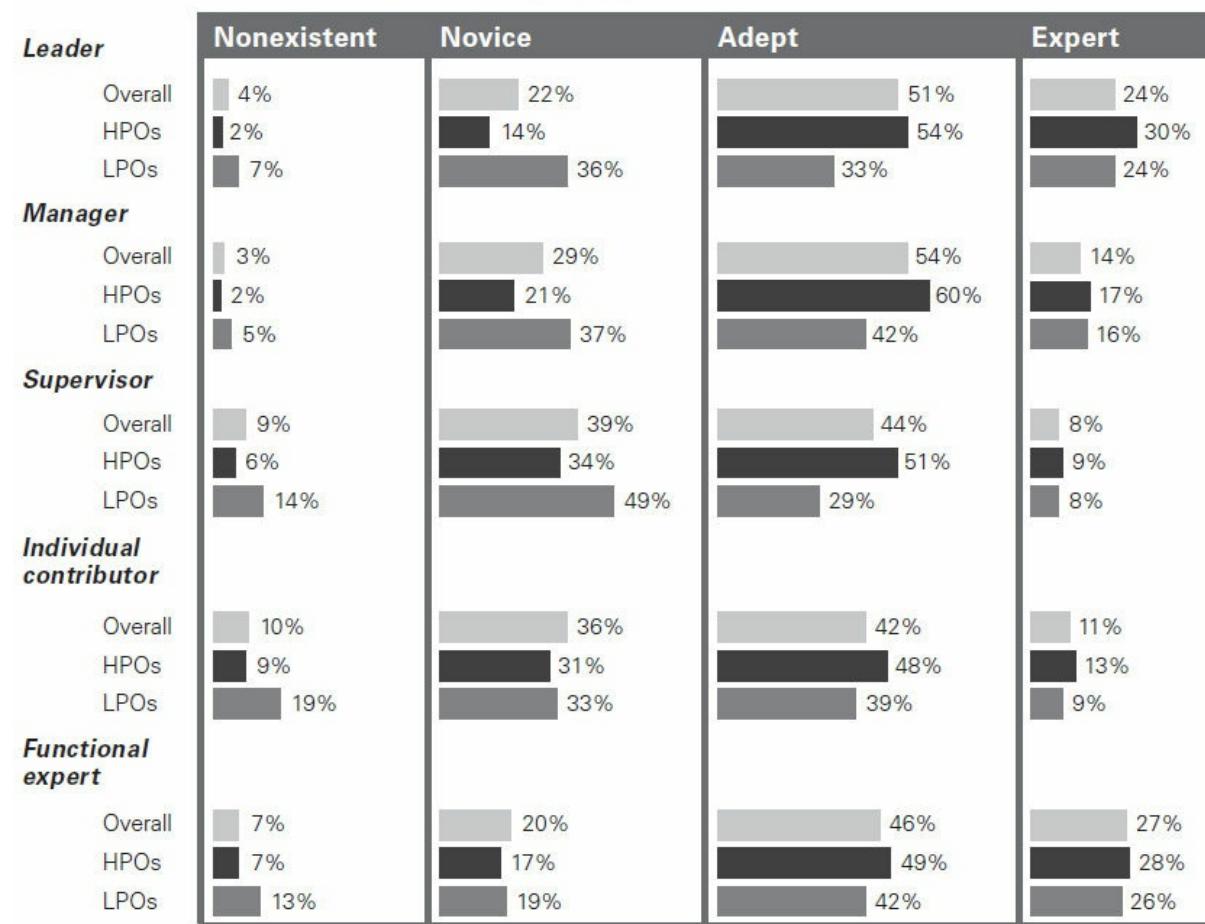
Further, all job levels and generations were rated as having higher analytical strength at high performers than at low performers. There was not one area where having greater analytical skills was higher at low performers—a strong indicator of the importance of those skills.

Research indicates that HR needs to do a better job of embracing analytical methods. Survey respondents reported that HR was the department that had the lowest analytical ability relative to all other departments within an organization ([Exhibit 15-6](#)). HR programs at universities need to focus more on analytical training, and organizations need to build analytical acumen into its HR hiring requirements, while providing more analytical training for HR on the job.

#### Exhibit 15-5. Employees at High Performers Rank Their Expert Analytical Ability

## Higher Than Those at Low Performers

### Rank the analytical ability at your company by job level

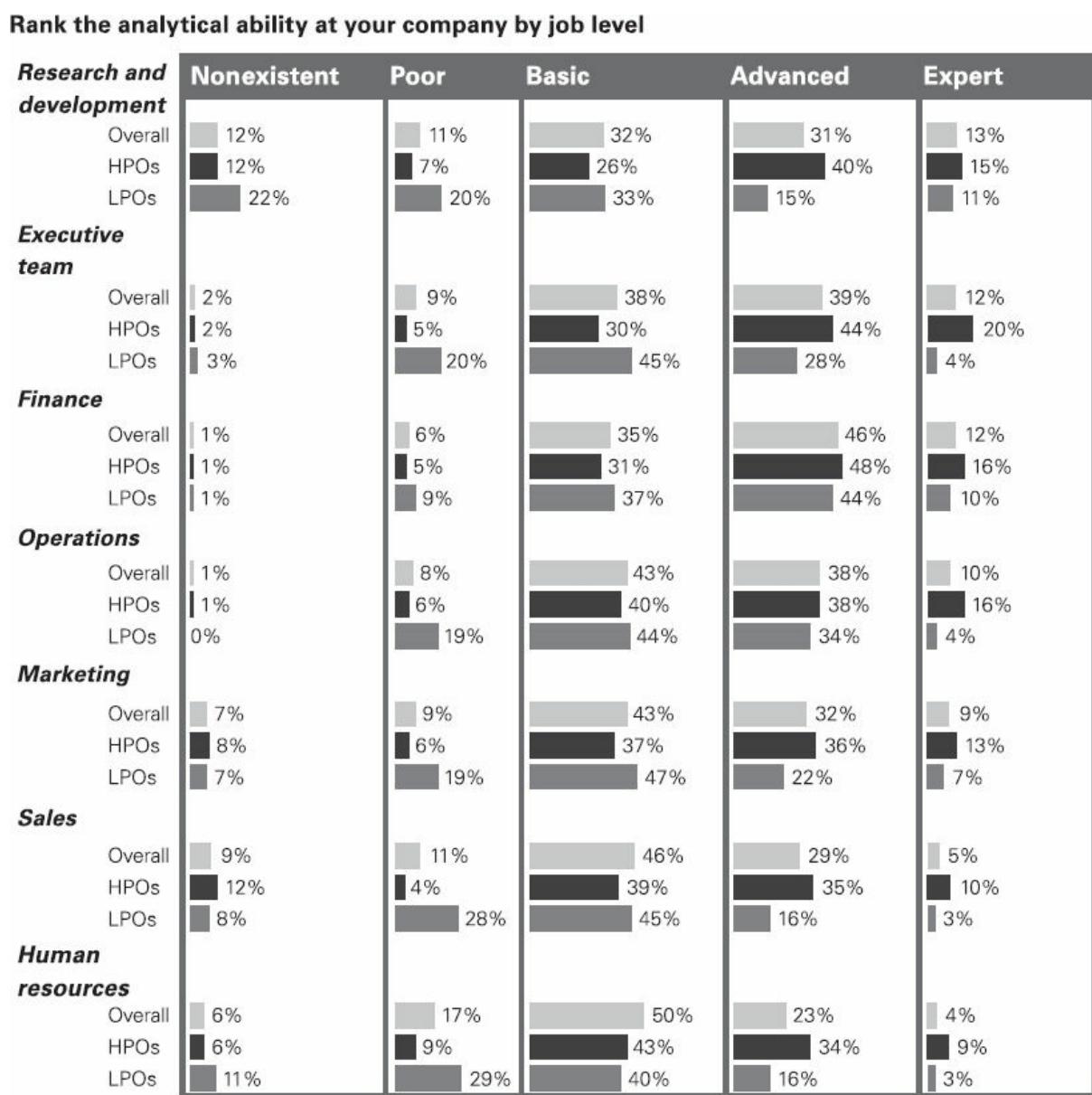


Source: i4cp 2013b.

## 4. Most Organizations Are Looking to Build Analytical Skills Through Training

The need for greater analytical skill enterprise-wide is nearly universal, which has contributed to a talent shortage in the employment pool. The disparity between the skills organizations need and the talent that is available is not imagined—the *Wall Street Journal* has reported that organizations are indeed experiencing a shortage in analytical skills (Rooney 2014). To fill this gap, organizations can train current staff to meet their needs, hire new staff, or some combination of the two.

Exhibit 15-6. HR Has the Lowest Analytical Ability Relative to Other Departments

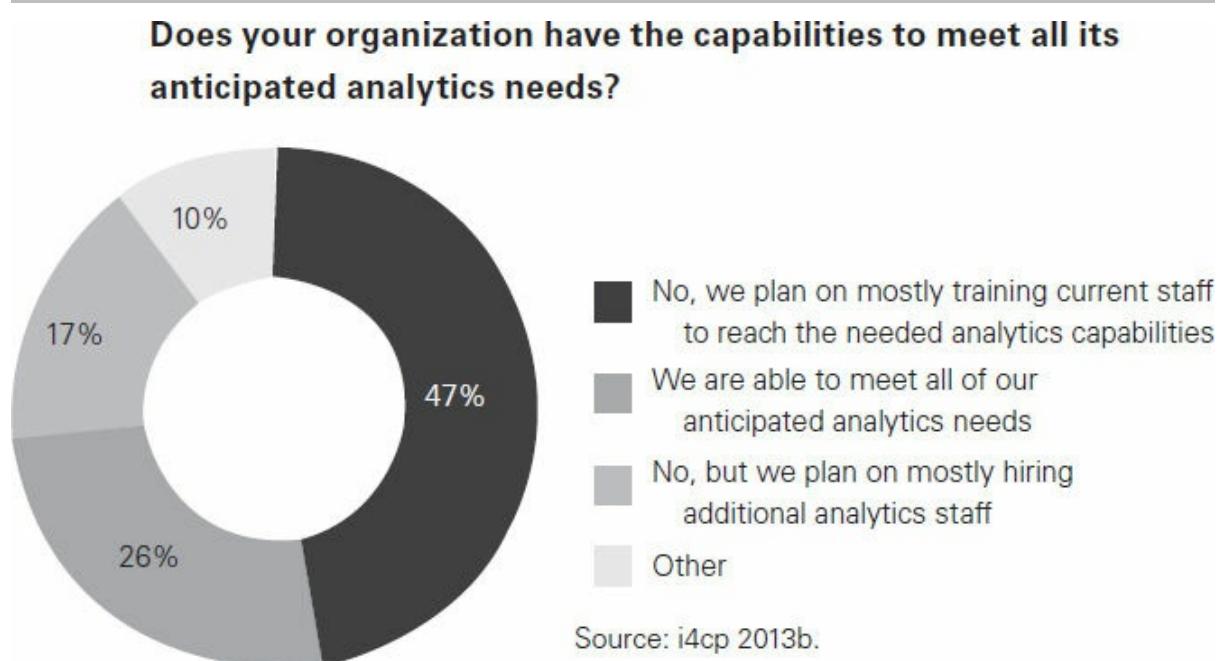


Source: i4cp 2013b.

Of those three approaches, more than twice as many organizations plan to train current

staff to meet analytics needs (47 percent) than those that plan to hire new staff (17 percent) ([Exhibit 15-7](#)). Organizations that want to increase the analytical ability of their staff can use this research to help plan their training by having HR create a program that relies heavily on mentoring and team-based training.

Exhibit 15-7. More Organizations Plan to Train Current Staff Than Hire New Staff to Meet Analytics Needs



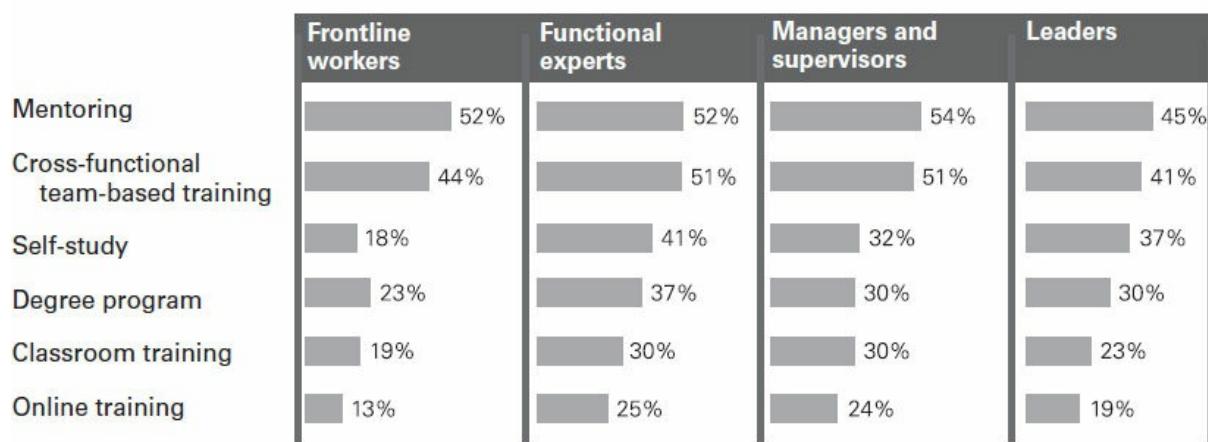
The prominence of organic or unstructured learning as a way of teaching analytics strengthens the argument that having the right mindset and methods is the more important skill for successful analytical ability than having any specific software or mathematical skill. For many successful data analysts, learning the analytical tools is secondary to learning to approach problems analytically. And training for analytical abilities is most often accomplished through mentoring, team-based training, and self-study ([Exhibit 15-8](#)). Traditional top-down training in the classroom and online is also used but with less success.

Emphasis on training is not surprising, as the skills needed for proper data analysis—especially in the talent management space—are very much in demand. Thomas Davenport and D.J. Patil's 2012 article in *Harvard Business Review*, "The Data Scientist: The Sexiest Job of the 21st Century," outlined why this job is so hard to fill:

"If 'sexy' means having rare qualities that are much in demand, data scientists are already there. They are difficult and expensive to hire and, given the very competitive market for their services, difficult to retain. There simply aren't a lot of people with their combination of scientific background and computational and analytical skills."

Exhibit 15-8. Mentoring, Team-Based Training, and Self-Study Are Best for Building Analytical Skills

**To what extent do the following activities successfully build analytical skills within your organization? (select all that apply)**



Source: i4cp 2013b.

As the demand for data scientists and people scientists has increased, some universities have responded by providing more analytical training in HR classes, and many others have started to modify curricula to meet the demands of the new workforce. In the interim, this apparent job need has already created changes in the public and private sectors.

The perceived lack of analytical ability in HR is driving the need for more training in these skills, and also for hiring staff without traditional HR backgrounds. A rising trend in HR is for practitioners to transfer from operations or finance, and to learn the HR-specific functions, rather than training an HR employee in quantitative functions.

These trends emphasize the growing need for analytical ability, and the shortage of workers with those skills in the human capital field. Moreover, organizations not only need HR staff with high analytical acumen to generate insights from data, but they also need HR executives and business partners to use data-driven insights more explicitly in advising business executives on people strategy and decisions and in managing the HR function itself more efficiently and effectively.

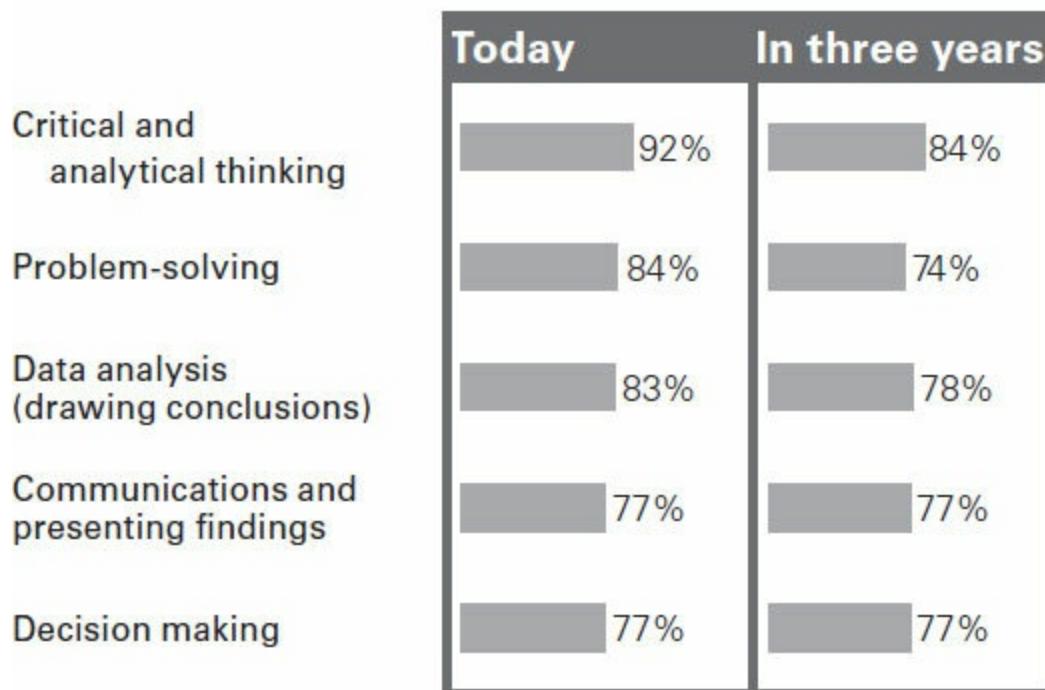
## 5. The Most Important Analytical Skills Are Related to Making Decisions, Not Spreadsheets

Critical thinking, problem solving, analysis—these are the skills associated with making decisions, not making spreadsheets (Exhibit 15-9). Decision making is not only a top-five skill, but also a skill that will be increasing in value over the next three years. Data preparation and visual analytics skills are seen as far less critical, though they are trending in different directions. Data preparation represents the old use of data, such as preparation and storage. Visual analytics represents the new uses of data, part of turning data into information, the greatest need for data experts.

Exhibit 15-9. Critical Thinking Is the Most Desired Analytical Skill

### What analytical skills/competencies do you believe are most important today and in three years?

(Top five)

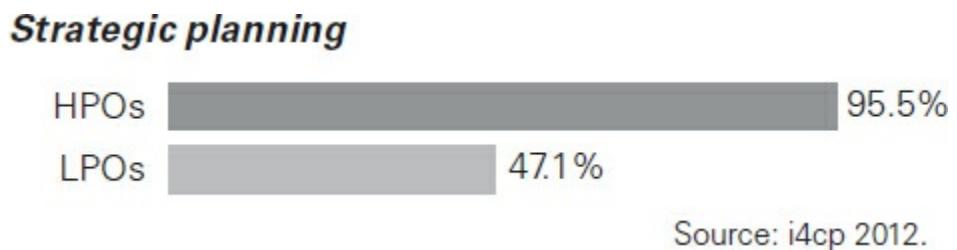


Source: i4cp 2013b.

The need for better strategic decision making is the top reason for tapping into big data. Seeing the promise of analytics for enhancing decision making, many organizations have sought to increase analytical skills and capabilities. HR professionals can thus position their role in providing workforce planning and analytics as key data points for long-term business strategy. To do this, HR must revise its recruiting, training, and retention strategies to attract and develop the analytically savvy staff it needs today and in the future.

High performers are already using data for strategic decision making, much more so than low performers, according to a 2012 i4cp analytics survey ([Exhibit 15-10](#)).

Exhibit 15-10. High Performers Use Data for Strategic Planning More Than Low Performers



Successful organizations tend to be those that use data to anticipate and prepare, not to react to daily problems. Organizations seeking to improve their performance should aim to build skills that will support high-level decision making and strategic planning. Organizations of all kinds are seeing the value in big data for prediction and decision making, which go hand-in-hand.

In a 2012 *Harvard Business Review* article, Dominic Bart and David Court outlined the prioritization that must take place to get to the decision-making step:

“First, companies must be able to identify, combine, and manage multiple sources of data. Second, they need the capability to build advanced analytics models for predicting and optimizing outcomes. Third, and most critical, management must possess the muscle to transform the organization so that the data and models actually yield better decisions. Two important features underpin those activities: a clear strategy for how to use data and analytics to compete, and deployment of the right technology architecture and capabilities.”

Data management is an initial foundational step that enables the rest of the process. Organizations such as AIG that have deployed successful data management strategies have spent a significant amount of time (more than a year) in the planning and structural arrangement steps (i4cp 2011). Only after an organization accepts a clear policy for data management should it begin building strategic analytical models.

## 6. Organizations See the Business and Talent Benefits of Big Data

Overall, more than half of organizations view big data as helpful with the following business objectives: improving strategic workforce planning; more efficient, targeted marketing; increasing sales and profitability; increasing customer satisfaction; and increasing productivity (Exhibit 15-11). In other words, departments across the board—and their executive teams—see the need for big data.

Exhibit 15-11. Organizations Anticipate Using Big Data to Achieve Business Objectives

### What business objectives do you anticipate big data being able to help your organization with?



Source: i4cp 2013b.

To underscore the importance of this, a 2012 MIT study revealed that organizations with higher levels of big data and analytics integration were 5–6 percent more productive and profitable than organizations that had less integration (McAfee and Brynjolfsson 2012).

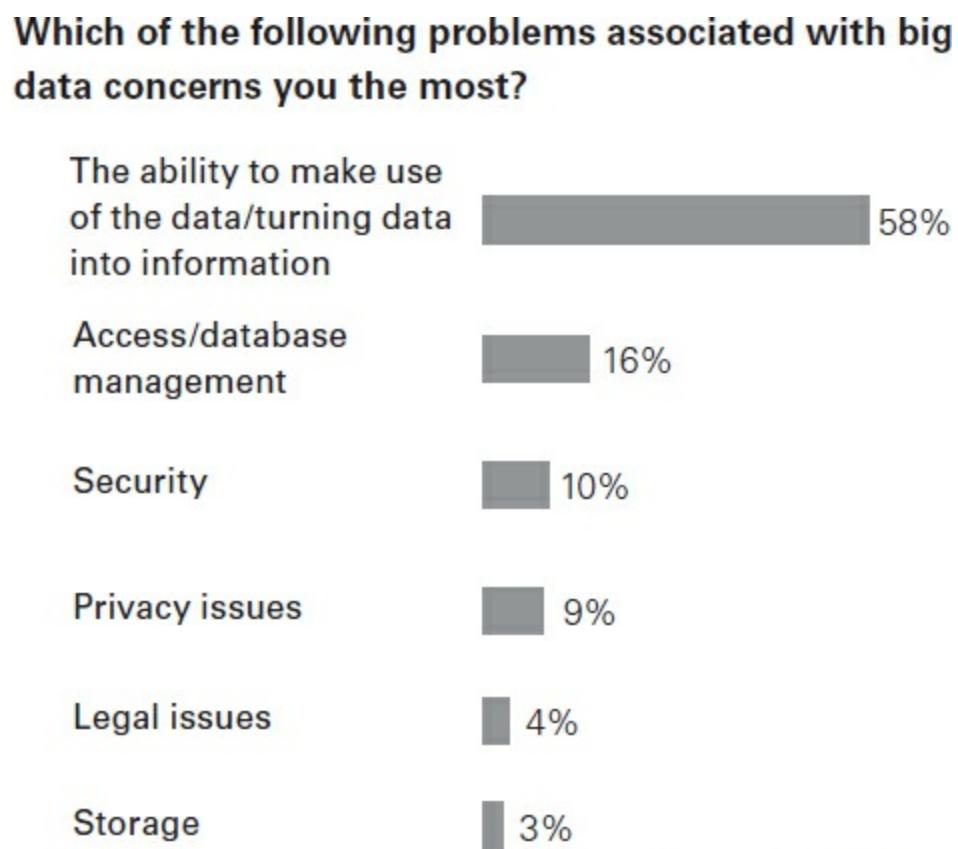
Productivity and customer satisfaction can be objectively measured. Unlike, say, strategic workforce planning, organizations can easily measure productivity—for example, producing 32 units an hour instead of 30—and customer satisfaction—with surveys and net promoter scores. These two measures are also directly related to people management, further demonstrating that HR's acceptance of an analytical approach is long overdue.

Because recruitment and strategic workforce planning are directly tied to productivity and time to market, HR departments have an opportunity for long-term growth in the data-driven world once they increase their analytical capabilities.

## 7. Turning Data Into Insight Is the Biggest Challenge of Big Data

A dearth of analytical skills is the biggest roadblock to using big data in today's organizations. Specifically, the ability to make sense of enormous data sets is what separates a good data analyst from a standard number cruncher. More than half of organizations claimed this to be their top big data concern, over access and database management, security, privacy, legal issues, and storage (Exhibit 15-12).

Exhibit 15-12. Making Use of Data Is the Top Big Data Concern of Organizations



Source: i4cp 2013b.

In *Big Data: A Revolution That Will Transform How We Live, Work, and Think*, co-authors Kenneth Cukier and Viktor Mayer-Schonberger (2013) present the story of Mike Flowers, who was appointed by New York City mayor Michael Bloomberg to be the city's first director of analytics. This office was created to help New York City tackle citywide problems using data and analytics. One of the first things Flowers had to do was gather the right people to work with him:

“Flowers cast his net wide to find the right people. ‘I had no interest in very experienced statisticians,’ he says. ‘I was a little concerned that they would be reluctant to take this novel approach to problem solving.’ ... In the end he picked a team of five people he calls ‘the kids.’ All but one were

economics majors just a year or two out of school and without much experience living in a big city, and they all had something a bit creative about them.”

The lesson: having hardcore statistical abilities is not the same as being analytical. The real skill is in understanding the data and having the ability to help others understand them.

Again, this reinforces why high levels of analytical skill among executive leadership is a must for building effective analytics use into an organization. Understanding what the numbers tell you and then using the data to make decisions is what separates organizations that are highly regarded, profitable, and competitive from those that are not.

All these trends taken together point to a long-term change in the typical HR employee skill set. As graduate programs and certification institutes change their curricula to incorporate more analytical ability, the overall analytical skills of the average HR employee will increase.

This in turn will lead to a different approach in problem solving, one that emphasizes data sets over intuition and personal experience. Likewise, business leaders, regardless of department, will be assessed and developed for analytical ability, and the types of decisions made by these leaders will continue to skew toward the objective, away from the subjective. However, organizations should not aggressively forsake people skills, lest the pendulum swing too far in the analytical direction that they are bereft of other soft skills.

## Room to Grow

Organizations are facing a wide gap in where they are in terms of analytical abilities and where they would like to be (i4cp 2012). The next step in taming big data is in closing that gap. They can do this by drilling down to the specific deficiencies in different workforce segments. Sequestering analytical ability to the traditional, number-crunching departments is not good enough. Analytical ability must be strengthened throughout the organization, especially within HR and executive teams.

Increasing an organization's analytical capabilities can be done through hiring, but the dearth of qualified data scientists, especially in the human capital field, indicates that training current staff is the more effective method. And organizations need to remember that strengthening analytical ability requires more than just offering math classes. To be truly effective, organizations must combine a broad understanding of finance, operations, and marketing with statistical analysis, presentation, and problem-solving skills.

Analytical ability exists somewhere in every organization. A steadily increasing trend in recent years is to facilitate lateral department moves to cross-pollinate and spread analytical skills around. The linear career path is being morphed into a spiral for HR professionals who started out in operations, marketing managers who started in finance, executives who started in research and development. A person with analytical acumen can be of use in almost any department, granting them a very favorable job outlook in the coming years.

The future-looking HR professional should be eyeing the diminishing supply of data scientists as an opportunity to train employees for a highly lucrative and in-demand skill set. Although a fully realized data scientist will become a much sought-after commodity (and thus poachable), the alternative is paying a premium to hire one away from an organization that has already recognized the trend and trained accordingly.

Organizations such as McKesson are adopting the approach of creating rotational assignments through their HR analytics team, which not only brings in the analytical skills that exist throughout an organization, but also creates cross-functional skill sets for the employees when they return to their regular assignments (i4cp 2015). HR departments, regardless of industry type, should be at least considering creating a stand-alone HR analytics team, even if rotational assignments are not feasible.

The bottom line is that the need for analytical skills is growing, making the market for people with these skills highly competitive, and it should only become more so. Organizations need to rapidly train the needed talent while shifting the strategic decision-making process to a more analytically based model. At the same time, organizations should assess leaders for analytical acumen, and part of their formal leadership development programs should focus on how to make data-driven business decisions.

These actions are not unrelated. By providing better data to make decisions, leaders will be more confident in relying on that data to make further decisions, which will create a virtuous cycle that results in a more knowledgeable—and thus stable—organization.



## About the Authors

Kevin Oakes, CEO of the Institute for Corporate Productivity (i4cp), provides strategic direction and vision, and is responsible for the overall operations of the organization. He has been a pioneer in the human capital field for the past 15 years, and is a frequent author and international keynote speaker on topics such as talent management, leadership, innovation, metrics, and strategic learning in organizations. He was also the 2006 Chair of the national ASTD board, and served five years as an ASTD board member. He was also the 2008 ASTD Board Selection Committee Chair.

Cliff Stevenson is a research analyst whose work has focused on data and analytics, performance management, recruitment, acquisition, retention, and attrition. He was a professional soccer player and later the head of HR for a consulting firm in Boston. He received a master of science in organizational development from Suffolk University and a bachelor of arts in psychology from the University of South Florida. He is the author of various reports including *Human Capital Practices that Drive Innovation*, and the chapter “The Real Dollar Value of Employee Engagement” in *Integrated Talent Management Scorecards*.

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 Section IV

## Growing Talent

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The first three sections focused on how to attract, engage, and optimize top talent. Section IV delves into how talent managers can curate talent through effective leadership development and succession planning. In [chapter 16](#) Jeanette K. Winters shows how organizations and talent managers should anticipate skill gaps that will affect business performance and how they should build a talent pipeline in order to be prepared for the changing workforce.

In [chapter 17](#) Anne Davis Gotte and Kevin D. Wilde offer a set of tough questions and solid recommendations that will help talent managers to take a lead role in building a talent pipeline. They detail three strategies—more talent, better talent, ready sooner—that will make your organization stronger.

In [chapter 18](#) Mike Vaughn and Joel Janov introduce the concept of strategic performance learning as a method to develop leaders who can anticipate business challenges and tackle them effectively. They explore how scenario planning can better prepare leaders to thoughtfully evaluate their decisions and rethink their thinking.

In [chapter 19](#) Larry Clark then discusses his recommendations for building a comprehensive leadership development strategy. He stresses the value of addressing both short- and long-term challenges through breadth and depth strategies when developing high potentials and frontline leaders.

In [chapter 20](#) Holly Burkett shows you how talent managers can develop agile, change capable leaders to better enable organizational success. She highlights how talent managers can serve as change architects, strategists, and catalysts and help leaders gain confidence, capability, and insight.

Finally, in [chapter 21](#) Noel M. Tichy and Chris DeRose describe how to use action learning as an effective leadership development exercise. They look at the different roles and responsibilities in action learning and present a sample workshop structure that ties action

learning and succession planning together.

# Adapting to Changing Workforce Policy Issues

*Jeanette K. Winters*

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Skills gaps are the catalyst for creating a talent pipeline, undertaking new employee acquisition, and attending to retention trends. Given the frenetic nature of changing skill requirements associated with fluctuating headcount needs, employers and employees need to rethink their perspective on defining pipeline requirements and their plans to fill them. Organizations, demanding radically new and different skills relative to stocking their talent pipelines, need to shift with the transformations confronting the talent management field. Talent professionals and individual candidates have a unique opportunity to position themselves on the leading edge by recognizing new pipeline realities.

This chapter addresses four questions:

- Is there a skills gap in the United States and elsewhere?
- Who are the key stakeholders?
- Who owns resolution and integration of new workforce practices and processes?
- What role should talent management professionals play?

## Where's the Skills Gap?

For more than two decades, federal and state governments, technology companies, and education and workforce professionals have decried the skills gap. Depending on your conceptual lens, this call to action shapes one's perspective:

- Governments call for skill development to reduce unemployment, engage the chronically underemployed, and expand opportunities for women, people of color, veterans, and those with disabilities. In public policy terms, skill development equates to a solution for both a social and economic challenge.
- Technology firms have formed a choir advocating the expansion of the number of graduates in the science, technology, education, and mathematics (STEM) disciplines. They cite jobs that go unfilled or languish in the interview process for months. They continue to highlight the desirability of STEM positions and underscore the importance of their industries in economic recovery and growth.
- Education professionals, from pre-kindergarten through graduate school, must respond to the frequent criticism that graduates are insufficiently trained and inappropriately exposed or experienced to contribute in the real world.
- Workforce professionals, those in research, talent acquisition, and talent and skill development, opine that it's just tougher to find and train the "right" candidates.

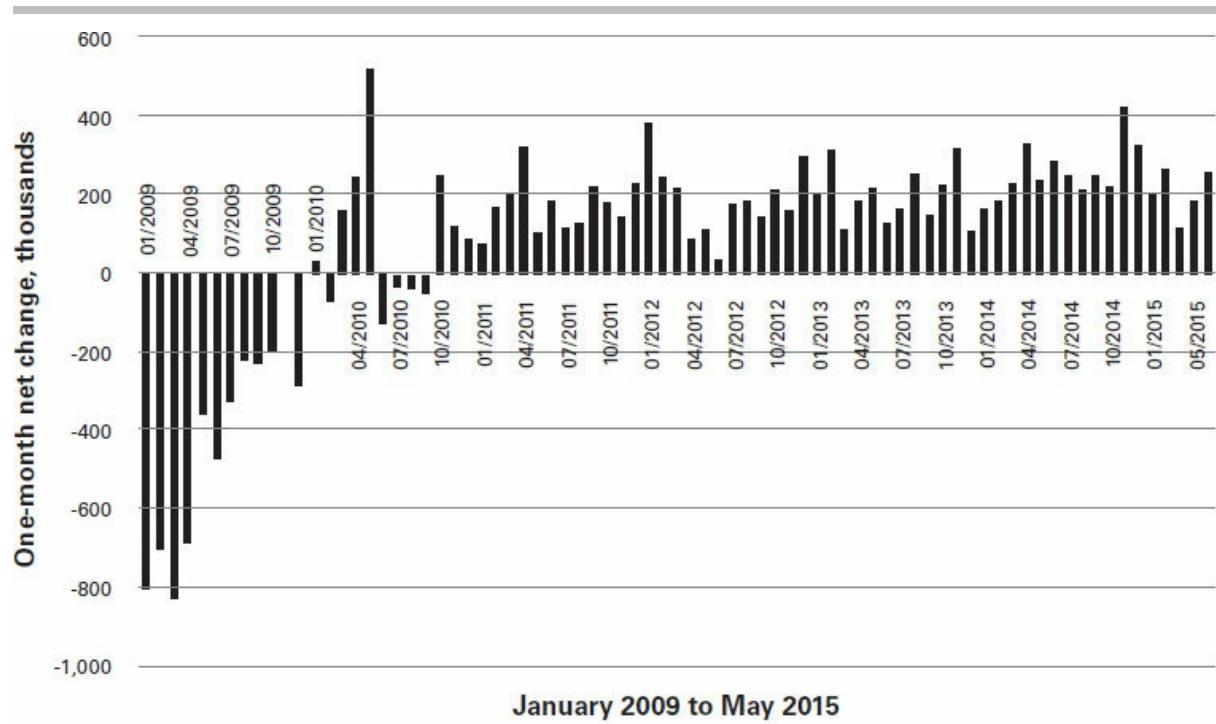
While skills gaps and job readiness issues were relevant topics for federal and state governments, educational institutions, and employers, job losses in the United States further exacerbated the employment picture. Those in talent management endured a leap from feast or famine mentality. During the first decade of the 21st century, in which the latter part was mired by the Great Recession, layoffs in the United States totaled 8.7 million jobs. Then in 2009 the government applied fiscal, political, and public policy pressure to fill jobs being created through government intervention and economic recovery. New jobs have been added to the U.S. payrolls consistently since April 2010. Bureau of Labor Statistics data show new jobs continue to be added at unprecedented rates ([Exhibit 16-1](#)).

The U.S. economy has been adding jobs consistently throughout since early 2009. After 8.7 million jobs were lost in the aftermath of the Great Recession, it wasn't until 2015 that the number of jobs added fully recouped the initial losses. Wage stagnation now appears to be the current hot topic, with the newly created jobs offering less in terms of compensation.

So, job creation is occurring, yet unemployment remains higher than desirable. Employers continue to claim that jobs go unfilled due to a lack of qualified candidates. Corporations, government organizations, and the armed forces struggle with new job entrants that lack the ability to think critically, problem solve, and analyze data. Is this an American

phenomenon alone? What impact does this have on talent management professionals globally?

Exhibit 16-1. The U.S. Economy Added Jobs at Unprecedented Rates After the Great Recession



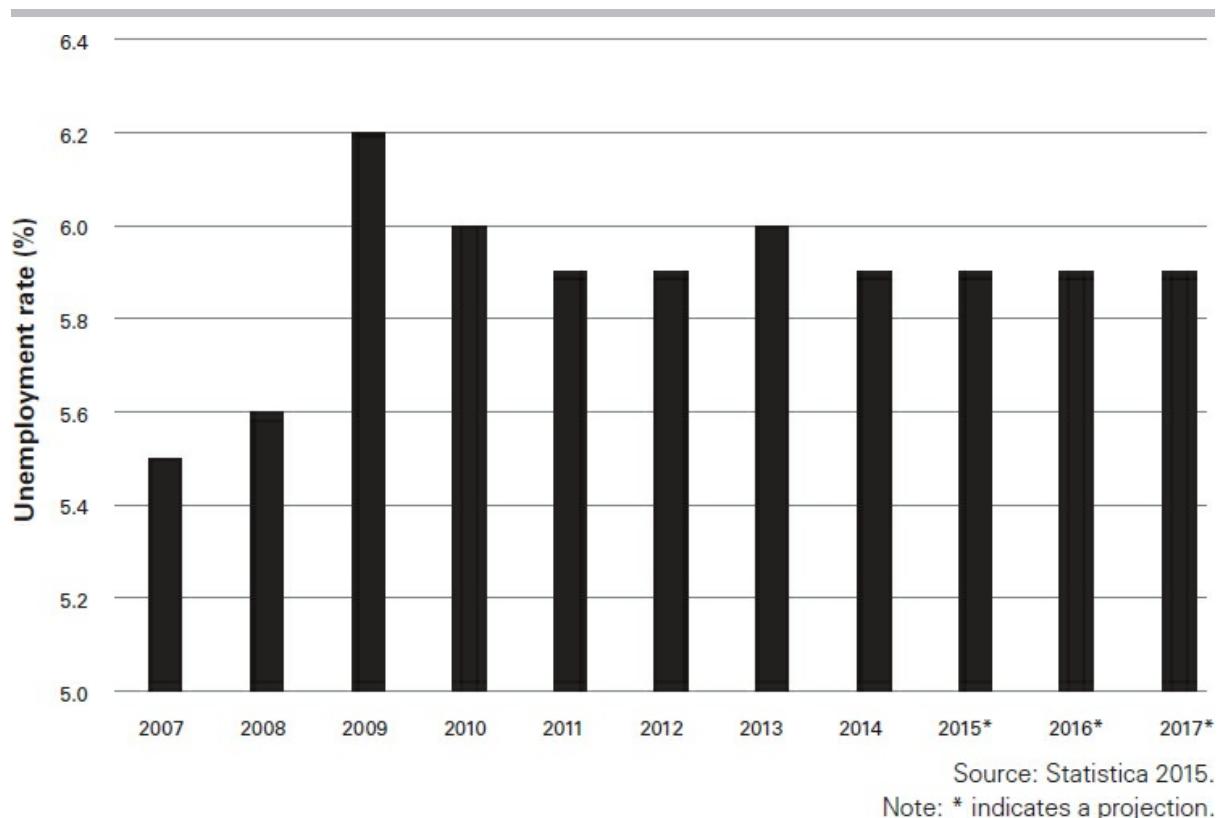
Source: U.S. Bureau of Labor Statistics.

## Global Talent Struggles

Internationally, natural disasters, unsustainable economic policies and structures, and shifting power bases combine to create volatile unemployment conditions. As Statista reports, unemployment globally is expected to remain well above acceptable levels ([Exhibit 16-2](#)). Developing countries continue to offer lower wage options for companies with global presence, yet this differential cannot be viewed as a permanent advantage. As in Ireland and Scotland in the 1990s, wage differentials may continue to narrow to the point at which other advantages need to be considered in order to justify large-scale operations.

Developed countries around the world face similar workforce struggles to those found in the United States—skill mismatches, educated potential employees lacking critical skills, and entire populations opting out (or being forced out) of market employment within hot or growing sectors.

Exhibit 16-2. Global Unemployment Rate Through 2017



Even to the casual observer, global talent professionals are facing several issues:

- Vacillating unemployment rates stubbornly persist for undereducated, inexperienced youth, minorities, and immigrant or migrant workers.
- Employers continue to require advancing skills—irrespective of degree attainment.
- Innovative and critical thinking, greater self-awareness, and enhanced collaboration

skills are demanded in all market segments.

- Talent managers have to expedite skill development with fewer resources, more quickly, more successfully, and with demonstrable impact.

These global issues persist even in light of improving employment rates.

## STEM Skills Gap Observations

The most prominent of the skills gaps is in the STEM fields of study. Global employers reiterate that their demand for more STEM-trained employees will only continue to escalate, thus jeopardizing their business. Initiatives abound to encourage women, minorities, and nontraditional students to engage in the STEM fields.

Interestingly, some dispute whether the shortage of qualified applicants in STEM fields is real or even damaging the expansion of tech-sector industries. Michael Teitelbaum, Wertheim Fellow in science policy at Harvard University, believes that STEM companies and their lobbyists and trade associations are responsible for shortages in the United States, and their claims have convinced some politicians and journalists, who echo them (Anft 2013).

Economist Paul Krugman (2014) asserts that the idea that the United States suffers from a severe skills gap is a “prime example of a zombie idea—an idea that should have been killed by evidence, but refuses to die.” His position is that if a STEM skills gap were truly evident, wages for those STEM-skilled job seekers would rise, a market response that the industry has not seen. Are employers too tight with their purse strings? Would higher wages enable companies around the world to acquire the talent they seek?

Teitelbaum and Krugman both skirt the issue that STEM fields are forces of economic nature. As technologies replace or significantly aid jobs, educators, corporate trainers, and public policy experts should encourage skill development in these domains where job opportunities are expanding—even if they expand seemingly irregularly and without a clear career path. Global workforces are currently caught in the tail end of the cost-containment spiral. With each passing day, the point at which STEM skills will be so highly prized that wages will increase looms closer.

## Addressing the Skills Gap

Development Dimensions International (2013) reported that 56 percent of managers “follow their gut when interviewing candidates but half of hiring decisions don’t work out.” Managers are thus forced to acknowledge that the hiring decision did not deliver the expected performance or did not fit in the organizational culture. But whose fault is it? And who is supposed to fix this? This reported failure to thrive is another example of disruption and dislocation in the workforce. Organizations are hiring the wrong candidates and then having to backfill and attempt once again to get it right.

Let’s summarize the big picture of the skills gap.

Employers need skilled workers who have mental agility, toughness, resiliency, and grit—who can think critically, are innovative, and apply their findings to real-world problems. They need skilled workers who have global mindsets, can collaborate, and be part of self-directed teams. And they need skilled workers who have analytic expertise and can come up with data-driven solutions.

K-12 educational institutions striving to prepare these skilled workers face challenges that compound the already difficult job of providing a high-quality education. Poverty and its implications within a child’s home threaten the child’s ability to learn. Hunger, lack of medical care, and instability in basic safety inhibit learning. K-12 school districts rightfully claim they carry burdens far broader than providing an encouraging learning environment.

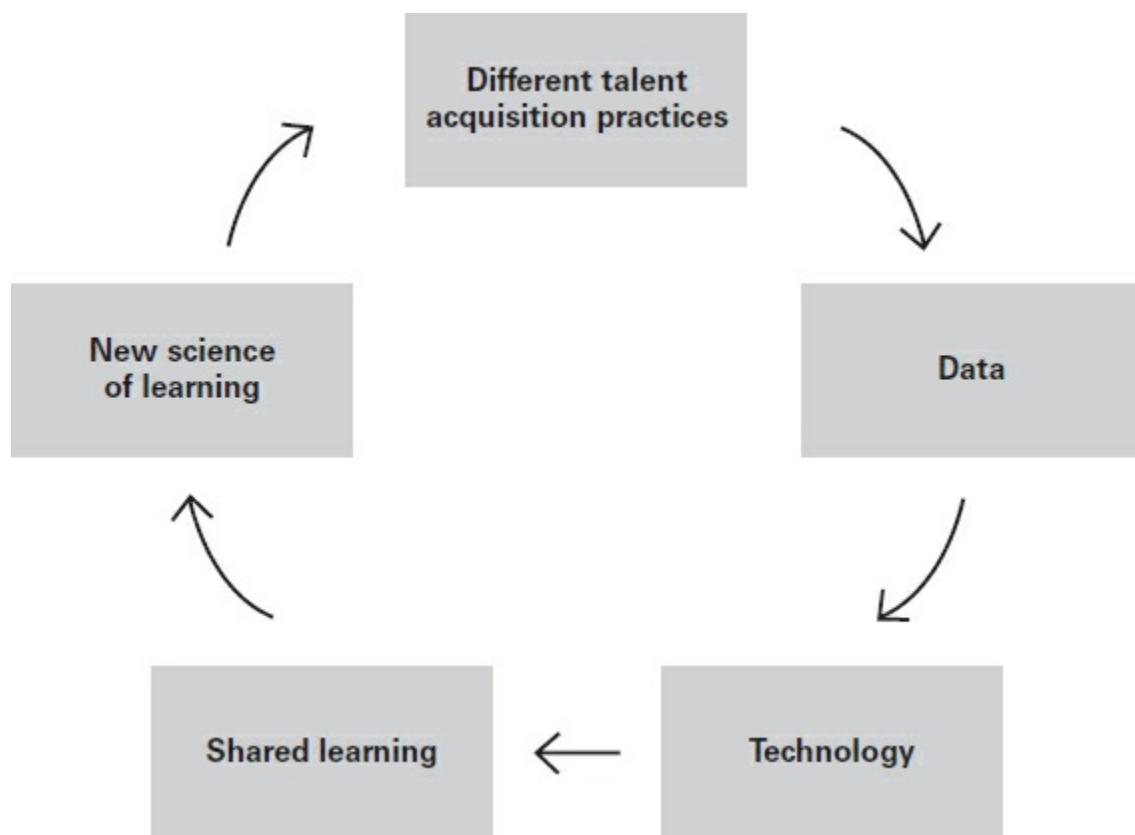
U.S. high school graduation rates reached a 40-year peak in 2013, approaching 75 percent. This peak tempers the good news—as nearly one million students won’t graduate each year. This fails to illicit much public outcry, and yet of the 1.8 million young adults ages 16–21 who did not obtain a high school diploma, 66 percent are unemployed.

Colleges and universities continue to endure criticism that their degrees are increasingly without basis or quantifiable meaning, forced to defend the very value of a postsecondary education. They too claim that students arrive with less than a true readiness for a collegiate education. ACT reports, “Only 39 percent of test-takers met three or more of the ACT’s college readiness benchmarks in English, math, reading and science” (Tyson 2014). This means about every three in five college freshmen arrive with test scores that suggest they are not prepared to earn average grades in these four basic disciplines.

Employers expect more, but more students are graduating with fewer skills and less demonstrated proficiency. Education institutions are willing to course-correct, but they need to know what skills and competencies are ideal. Further complicating the skills gap are hiring practices that do not select particularly successful employees. But all is not lost. In fact, the potential solutions rest within the talent development profession. Here are five ideas to address the skills gaps ([Exhibit 16-3](#)).

Exhibit 16-3. Five Ideas to Address the Skills Gap

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## Start With Different Talent Acquisition Practices

The hiring process starts with an assessment of what the job will entail and what experiences, education, and attitude combine for the best possible fit. With a rate of failure at 50 percent, organizations need to reengineer this important first step in talent management. Talent acquisition needs to press hiring managers for greater reflection not just on what they would like to have but also on what new hires need to be successful.

Suggestions for improving the talent attraction process include:

- *Ethnographic studies.* Organizations can leverage the expertise of industrial psychologists and specially trained researchers to follow employees during the course of a day or shift to observe firsthand what they do and how they go about doing it. This first-person formula will offer important insight and base the hiring process on the actual role and responsibilities, without undue reliance on management's views. Including an array of performers (employees who exceed performance expectations and those who fall short) may highlight critical distinctions in those who are successful and those who struggle to perform.
- *Skill, competency, and proficiency identification.* Talent attraction teams throughout the world are bombarded daily by the expectations of hiring managers or business leaders. These managers and leaders frequently ask for better writing skills, deeper analytic abilities, or product development competencies. When pressed on why they need these skills, they often say that they need it for the business, their best employees have these skills, or these skills are what is going to help the organization grow. The intent is clear, but the lack of credible data to support these requests complicates attempts to recruit the best hire. Hiring who you know and who looks like others in your organization is a recipe for disaster. You need to employ more care in defining mandatory and highly desirable skills for each job.
- *Pre-employment assessment.* Organizations can capitalize on commercially available cognitive and attitudinal assessments designed to measure a candidate's skills or aptitude for specific roles. Some organizations have shied away from these tools for fear of placing unequal or unnecessary weight on selection criteria that are not relevant to a role. However, by carefully articulating job functions and defining skill requirements, organizations can remove the adverse impact and thus ensure a better success rate for new hires.
- *Cultural fit.* Knowing thoroughly the culture of your organization and its components (departments, divisions, teams) will support hiring decisions that work. New hires should not be blindsided by your organization's culture just because you failed to convey your "no ego" environment. If you do hire candidates on the fringe of your culture, you need to put a strong support and mentoring network in place to better ensure success. If the candidate fails because of cultural

misfit, talent acquisition and the hiring managers, too, have failed. The candidate can only glimpse into your world—if she arrives and does not fit, the fault falls on your shoulders, not hers.

## Use Data to Mitigate Hiring Misfires

Talent acquisition platforms that are integrated within an organization's technology framework gather data, capture employee profiles, and analyze the potential fit for groups of candidates based on this information. Descriptive, predictive, and prescriptive data are all valuable sources of information that can and should be used in the hiring and development processes. Here's how Michael Wu (2013), chief scientist at Lithium, distinguishes the three categories:

- Descriptive data allow you to break down big data into smaller, more useful chunks of information to tell you what's happened.
- Predictive data use statistical modeling, data mining, and formula-driven learning to look at past and recent data with an eye to formulating what will come.
- Prescriptive data allow you to make future decisions based on historical and recent data to determine what should occur next.

These three levels of data analysis can help you improve the potential for hiring success. However, do not underestimate the amount of data required and the associated level of sophisticated knowledge and tools to use these analytics. Data should be employed to support decision making, rather than relying on intuition alone.

## Leverage Technology to Enhance Reach and Impact

Hiring practices have been enriched with the use of social media channels, networking platforms, and seemingly endless niche-specific job boards. Talent acquisition professionals should consider these often inexpensive mechanisms as vehicles to expand reach to targeted populations, recognize the increased visibility that comes with the adoption of social media, and gather data on candidates of greatest interest. Keep in mind that effective and expansive outreach improves the candidate pool, thus heightening the importance of going beyond what everyone else is doing.

## Share the Responsibility for Learning

Even with an ideal hiring process, you must support the new hire's success with effective onboarding practices and integral learning. Integral learning is designed to address the need for an employee to continuously invest in acquiring new skills, enhancing competencies, and expanding proficiencies. Learning professionals have long referred to a similar approach as one of lifelong learning. Integral learning recognizes that learning occurs individually (self-paced learning, reading books and blogs, and watching videos), socially (sharing impressions, opinions, and views with colleagues, friends, and family), culturally (participating in meetings and projects), and formally (enrolling in a classroom or virtual program).

By adopting integral learning as a shared responsibility of employee and employer, you can endorse the value on both ends of this continuum. Employees need to embrace learning as a means for competitive positioning, greater opportunity for choice assignments, and personal enrichment. Employers should closely align learning with business objectives and requirements. Developing organizational learning and growing talent is all about ensuring the organization's success. Without linking organizational learning and success, the focus can easily be lost.

As discussed, employees are likely to come to your organization with skills gaps. Talent development exists to fill these skills gaps. Adopting a shared role for learning between employer and employee strengthens the potential for success and heightens the awareness of how mutually beneficial enhanced skills can be.

## Embrace and Integrate Neuroscience Findings on Learning

To put new knowledge or skills to use and develop lasting connections, adults need learning to be both novel and context driven.

- *Novelty.* This does not mean clowns, balloons, or comics. Within organizational learning, novelty means different, unique, or applied. Adults come to work and to the classroom equipped with prior information, experiences, and memories. When acquiring new information, they need to understand how this information differs from what they already know.
- *Context.* Once learners come to understand the new “news,” they need to appreciate the environment within which it will be used. Context relates to the appropriate times and conditions in which learners should use the information.

Neuroscientists learn more about the brain every day. So organizations and talent management specialists need to embrace the findings of how the adult brain learns, reacts, and responds in order to apply practices that result in successful learning. It is time to integrate the science of learning into training practices.

Charged with providing experiences that will fill skills gaps, enhance staff capabilities, and improve organizational success, talent management professionals need to shift training programs away from strict classroom schedules that span days and rely on instructors filling the “sage on the stage” role. They should embrace “just in time” delivery (where and when needed), short segments, and assessment-based and experiential learning. Multimodal delivery should become the standard not the exception.

The workplace is rich with information, and organizations and their workers alike are under pressure to achieve more with less, while at the same time striving to work better, faster, and with cheaper solutions. Talent management professionals need to put themselves in the learners’ shoes to help them acquire knowledge and learning—through meaningful and memorable experiences.

## Conclusion

Now it's time to address the questions posed at the outset:

1. *Is there a skills gap?* Irrespective of your industry, geographic location, or workforce size and composition, there are always gaps within your ranks. They may result from inadequate hiring practices and processes, educational lapses, and knowledge deficiencies or from changing market forces. Their severity, importance, and source will vary, but they exist. Skills gaps are simply a condition of the workforce. That is one of the primary reasons talent management specialists are needed.
2. *Who are the key stakeholders chartered to address the skills gap?* Each of us is a stakeholder. Whether we are parents of school-age children, college professors, employers, or talent managers, each of us needs to own the opportunity to address the skills gap.
3. *Who owns resolution and integration of new workforce practices and processes?* Many potential job candidates are underprepared, poorly educated, and don't have the opportunity to expand their employability. Yet, to date, the skills gap dialogue has focused largely on whose fault is it, rather than on how to bridge the gap. Each stakeholder needs to own the responsibility for reframing the discussion and to step up to enhance the opportunities of the unskilled.
4. *What role should talent management professionals play?* While the key stakeholders can do much to improve the effectiveness of hiring the best possible candidates, talent management experts play a vital role in narrowing the skills gaps. By providing learners with an opportunity to acquire a new skill or gain knowledge, you enter a rare space. Offer the best possible learning interventions today, so that workers will be motivated and energized to continue their professional development.

Remember, learn something new each and every day—it will enrich not only your life but also the lives of those around you.



## About the Author

Jeanette K. Winters is a talent, change management, and learning executive known for aligning people, strategy, and opportunity. She has led corporate talent management, diversity and inclusion, organizational development, and enterprise learning functions at global Fortune 500 organizations, such as Intel, American Express, Pitney Bowes, and Amgen. She served as the chair of the ASTD Public Policy Council, helping spur discussion on the changing nature of workforce composition and its impact on the United States' efforts to innovate and grow. She holds a doctorate in public administration from the University of Southern California, a master of higher education administration and a bachelor's degree from American University, and a certificate in neuroscience and leadership from the NeuroLeadership Institute.

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# Talent Building in Motion: More, Better, Sooner

*Anne Davis Gotte and Kevin D. Wilde*

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The work of building a strong talent pipeline can be described as a simple rallying cry: “More talent! Better talent! Ready sooner!”

This message is pervasive in the talent management space, but how can talent management professionals make it happen?

The good news is that talent managers may already know some of the effective strategies, which mix proven, traditional approaches with leading-edge innovations. This chapter details three strategies—getting clearer on what you want, improving how you evaluate talent, and taking courageous steps to develop tomorrow’s leaders—that will make your organization stronger.

Based on our experiences leading the talent management practices at General Mills, this chapter aims to support your efforts to build your talent pipeline.

## More Talent! Getting Clearer on What You Want

Almost all organizations have a business planning cycle—a time when leaders set short- and long-term objectives and metrics tied to growth, capability, and innovation that, in turn, drive priorities and decisions on investment. Very likely, these organizations have well-honed processes for measuring progress against these plans and identifying places to course-correct. While the processes may vary by organization, they commonly answer two fundamental questions:

1. What do you want to achieve?
2. What are your rules for getting there?

And the same holds true for building the talent pipeline. You need to know where you're trying to go and have a clear set of rules for getting there.

## What Do You Want to Achieve?

To get to the heart of pipeline building, talent management professionals need to ask what they want to achieve. Ultimately, talent management professionals want to have the right people with the right skills in the right jobs at the right time. They thus need to identify critical positions, establish succession strength targets (such as how many successors for each critical role should they have ready at any given moment?), raise awareness of whether they want to acquire talent or build it internally, and plan for how to mobilize talent across boundaries. They may also have goals related to retaining top talent or holding positions for talent to flow through. In the end, they should encourage an approach that aggressively advances the talent management agenda, while keeping the fundamentals simple and compelling.

## What Are Your Rules for Getting There?

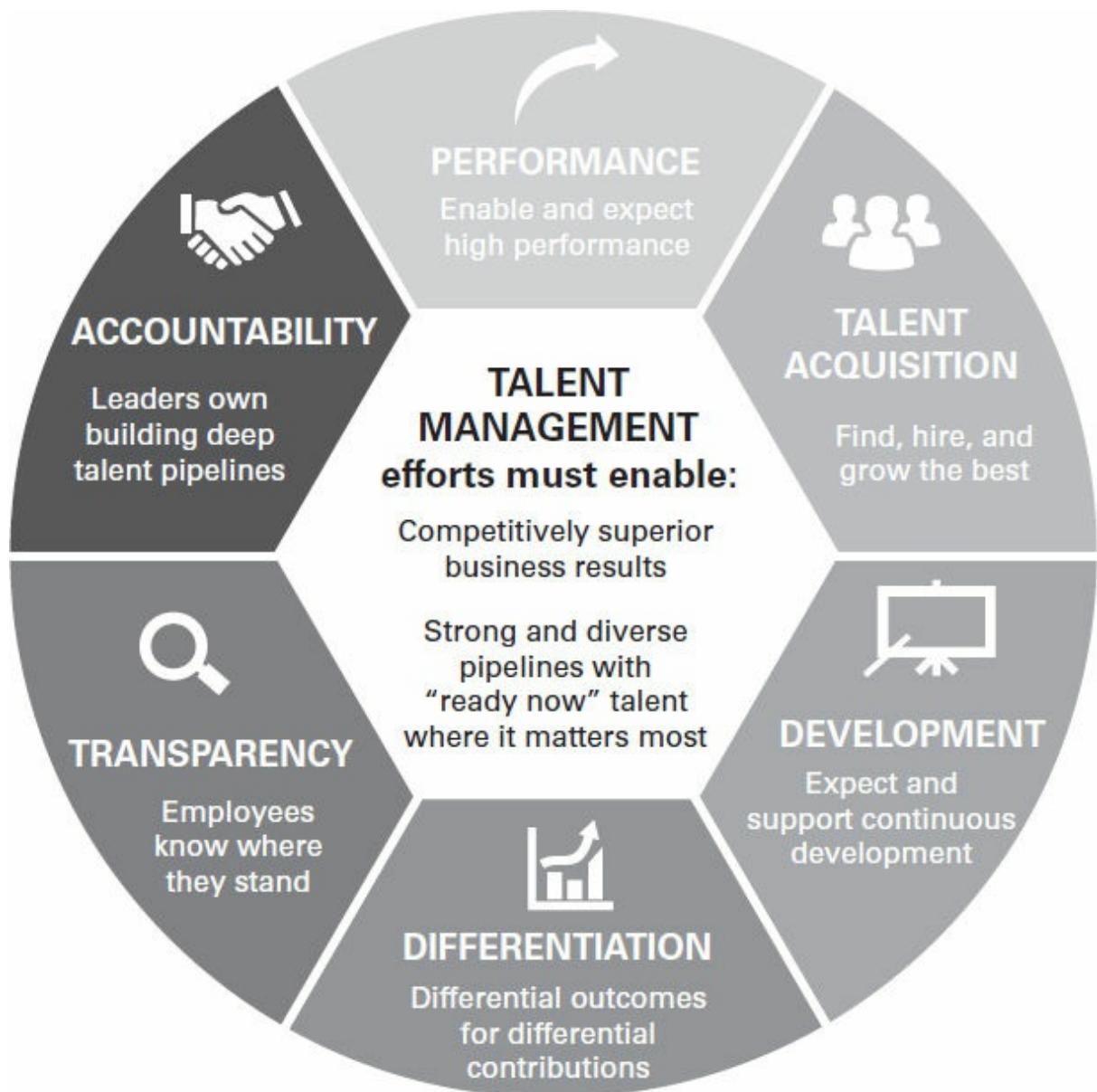
Organizations need to make important changes to their talent review processes. They need to be clearer about the role of senior leaders. They need to be more aligned on what roles require different plans. And they need to advance their agenda on development, differentiation, and leader accountability for talent progression. To drive these changes consistently at General Mills, we took a step back and set to work on answering, “How should we manage talent here?”

Heavily influenced by Marc Effron’s stellar work on talent philosophy, we developed a set of talent management principles in partnership with the company’s senior management team. The principles address performance, talent acquisition, development, differentiation, transparency, and accountability. Some principles articulate long-standing, widely held truths, while others remind us what we are working toward. But overall, the principles provide a compass for those building talent practices, making decisions, and navigating the work of building the talent pipeline.

Deceptively simple, the principles are a critical enabler of our talent management agenda. [Exhibit 17-1](#) shows our principles to give you a sense of the content and tone. Take the time to partner with your leaders and business partner constituents to explore what talent management principles are relevant for your organization. Having a documented set of rules co-authored by leaders will help ensure that decisions—difficult or obvious—are informed by a broader framework that’s consistent with your organization’s overall talent strategy.

### Exhibit 17-1. General Mills’ Talent Management Principles

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## Better Talent! An Honest, Accurate Look at Today's Workforce

Imagine that your past few years of planning to build the talent pipeline went quite well. Your new human capital system produced slick reports for the senior management team. Your succession planning module was the star of the show. But then, the show didn't pay off, as the crop of ready-now successors didn't materialize at the same time the jobs opened up, leaving you scratching your head and trying to understand what went wrong.

Don't feel alone. The success rate of talent planning processes is dismal—at less than a third. Yet this hit rate is accepted as the nature of the talent business. Imagine how the board of directors would regard the chief financial officer who misses two-thirds of her financial forecasts, or the marketing leader who approves new product launches that return the cost of capital a little more than 25 percent of the time. And let's not consider what the board would do with the manufacturing manager with so many product recalls that more than half of what his factory produces eventually returns.

So what's behind the poor track record of talent planning? Go back to the basics of the practice, and you'll see it's all based on decisions.

Whether choosing which manager to promote or searching externally for talent, active talent management is driven by decisions. In fact, decision making is central to building a quality pipeline of talent. And if ignored, the other talent-building practices will falter without the right decisions. Making top-notch calls on talent is no accident—it requires the same rigor and discipline as other business decisions.

## Three Talent-Planning Challenges

Based on years of helping guide talent planning decisions and then analyzing the results when reality hits, we've found three challenges to high-quality talent-planning decisions: false positives, hidden negatives, and predicting rather than preparing.

False positives are simply talent decisions that are too good to be true. For example, a current star performer at middle management is seen as the next senior executive. Often, with strategic developmental assignments with coaching support, the star is ready when the opening occurs. But in some cases, the star never shines as brightly as during the early planning discussion, and even with the right moves, never develops as the go-to backup successor.

Confusing current performance with the capabilities in more senior positions can be at the root of the poor decision. Of course, a range of traps enables false positives, such as lacking a clear consensus on destination position requirements or only having a single evaluation point on the employee. Increasing decision quality requires challenging overly rosy or unsupported bullish calls, even if the process is uncomfortable.

Hidden negatives are the fatal flaws or career derailment factors that make talent unsuitable for bigger jobs but that are not clearly present or considered. More serious than a minor weakness, hidden negatives include an inability to step up to the strategic demands of senior roles, poor interpersonal skills to effectively influence change across the organization, or failure to build strong teams and high-performing talent.

Often these negatives are known at some level, but are tolerated due to other towering strengths or overly protective sponsors. In fact, in looking back at past 360-degree leadership surveys or comments in performance appraisals, it's often clear that the seeds of derailment were present years before the derailment happened. Usually, a promotion to a bigger job or new business demand brought the hidden negative to the surface, resulting in a reassignment or termination. Then, the second-guessing follows, with a chorus of "what were we thinking?" To avoid this, bring negatives out in the open by inventorying past leadership failures in the organization and using that information as a framework to detect possible seeds of derailment in current talent pools.

Predicting rather than preparing describes a dangerous assumption that avoiding false positives and surfacing hidden negatives alone will be enough to produce a great supply of ready-now talent down the road. Of course, this will improve yours odds. But they are still odds, not guarantees. High-performance talent planning is a delicate balance of not only driving hard on practices that matter, but also recognizing the limits of dealing with future unknowns.

These unknowns include dynamics of the marketplace, where today's critical role becomes

tomorrow's irrelevant desk. New business strategies will demand new competencies unseen today or just emerging on the talent horizon. Don't forget that judging human potential to grow and excel in untested areas is tricky at best, especially when you compound that challenge with the shifting personal values and life-career changes. Today's globally mobile leader at the next turn may announce a "stay-put" preference.

Acknowledging that there are uncontrollable variables can help you refocus from being perfect to being prepared on multiple levels. Prepare by staffing with flexible players who can grow into multiple roles. Prepare by increasing the options, with a bias toward recruiting more upwardly mobile candidates. Prepare by increasing the frequency of candid career discussions with the best talent to know their latest preferences. Prepare by increasing the frequency of talent planning with the latest business strategies. In summary, prepare by increasing the agility of the talent process.

## Leadership Assessment Tools

To enable preparedness and to provide a more accurate look at your leadership bench, talent management professionals should consider the thoughtful and integrated use of leadership assessment tools. This does not mean treating these tools as stand-alone crystal balls. Instead, their insights can help round out your perspective on current and future leaders. While overcoming the three talent-planning challenges focuses primarily on being more honest about your leaders, leadership assessments can increase the accuracy of your diagnoses.

Partnering with key experts in industrial-organizational psychology, talent management professionals can construct assessment approaches to inform selection, development, and promotion decisions. These approaches leverage assessment data to guide development investments, critical to effective pipeline-building strategies. As with any investment decision, talent management professionals must deliberately analyze opportunities and risks against the desired objectives to make informed, balanced, and sound decisions on the leadership potential of employees and their likelihood for success.

Talent management professionals should use scientifically proven tools to aid those decisions. Yet, research suggests that business executives continue to rely predominantly on their own intuition for important talent decisions (CEB 2013). This is because leveraging assessment data to make insight-rich decisions effectively within an organization can be challenging. Here are three common obstacles and possible solutions to developing a balanced and high-value assessment practice for your organization.

### *Ignoring Cultural Fit When Developing an Assessment Approach*

Before implementing an assessment practice as part of the organization's pipeline-building strategies, talent management professionals must consider the relevance, placement, and level of support for assessments within their organization. Assessments can make staff feel uncomfortable, and leaders and employees are often wary of their validity and impact. Perceptions that the assessments can result in "pass-fail" grades create unreasonably high stakes for participants, while also alienating leaders concerned about their talent decisions being scrutinized. To build a culturally appropriate assessment practice, talent management professionals should take three important steps.

First, establish clear, transparent assessment principles. These principles should answer questions such as:

- What's the role of assessment data in decision making?
- Who sees assessment data?
- What are the organization's commitments to development after an employee is assessed?

- When is assessment data used as part of talent processes?

Second, build multifaceted assessment practices and centers that enroll leaders directly. Once trained, leaders can capably contribute to overall assessment findings through structured interviews, case studies, and talent calibration sessions. This approach contributes to an integrated assessment experience, leveraging leaders' experience while also building their acumen around assessment and talent calibration.

Third, and most important, ensure that personal and professional development is incorporated in the design and rollout of the assessment practice or program. Done well, participants will feel honored to be selected for this highly developmental experience, rather than concerned they have been selected for a professional crucible of sorts.

### *Designing Assessments Without the Objective in Mind*

Leadership assessments allow you to objectively, consistently, and systemically acquire insights for your organization's highest potential prospects. However, their true power is not the insights themselves, but in how the insights are used. That is, how the employees are engaged in interpreting the results, how the development plans are built, and how outcomes are measured against the ultimate objective—talent-ready pipelines.

To gain organizational support to integrate assessment methodologies into pipeline-building strategies, talent management professionals must focus on the big picture. They need to establish sound assessment programs that sustain strong leadership and HR trust, while ensuring that there is commitment and follow-through to activate the findings and insights. They can do this by keeping the end result in mind when building assessment strategies.

With an outcomes-based approach from the start, organizations can more easily implement and sustain back-loaded processes around development planning, leadership accountability, tracking, and measurement. Without an outcomes-based approach, they are investing considerable dollars and resources to build a capability they will subsequently underleverage. Moreover, a framework that drives development-focused learning and growth for the employee after the assessment supports a positive and mutually committed experience for your valued high-potential employees.

### *Over-Relying on Assessment Data*

While incredibly valuable, even the best assessment tools and methodologies offer imperfect predictions. In an effort to be more serious about using data in decision making, leaders can inadvertently over-rely on assessment data or on the external experts that administer and interpret the assessment results. But this tends to reduce the impact of the assessment practice itself. It can cause leaders who find inconsistencies with the findings to dismiss an assessment's validity or value.

As assessment tools and their interpretive guidance become more sophisticated, leaders will care more about the “so what, now what?” And so talent management professionals can make valued contributions by contextualizing the data—by looking for patterns across an employee’s profile as well as against the desired standards for a leadership position. Talent management professionals can offer insights on how to leverage the data within their organizations. They can enable and encourage measured professional judgment. Thus, armed with context and an informed perspective, leaders can distill the data into development planning responses that accelerate an employee’s readiness and future success.

To ensure that their organizations use assessment data properly, talent management professionals must equip HR and line leaders with a strong baseline understanding of what the assessments measure, how they integrate with other key talent processes, and how to recognize connections between their experiences with the employees and what the data offer. In cultivating this understanding, talent management professionals can also create a shared language for the leadership competencies most meaningful for their organizations’ high-potential talent.

## Ready Sooner! Creative Actions to Accelerate Bench Strength

Building the right bench strength for an organization requires careful planning and deliberate orchestration. At General Mills, we've studied what variables distinguish our very highest performing and highest potential leaders from the rest. Corroborated by both external research and good old-fashioned intuition, the data suggest that diverse experiences differentially develop talent—experiences such as high-impact global assignments, accelerated assignments within a function, and in-country assignments with a cross-functional or cross-division capacity.

As stewards of organizational talent, talent management professionals strive to develop agility and build leaders who can succeed repeatedly in a variety of circumstances. Achieving that objective across a global, complex, performance-driven organization can be difficult. It requires HR and line leaders to partner in ways that are not always comfortable or familiar, across typical businesses or functions. When working with top talent on stretch assignment development, it's all about getting very clear early on the go-forward commitments and desired outcomes. To best navigate the design of stretch assignment practices for your organization, consider these key questions:

- What are the objectives of the stretch assignment?
- What jobs are well suited for stretch assignments?
- What support will be put in place for success?
- What factors make stretch assignments less desirable?

## What Are the Objectives of the Stretch Assignment?

After collecting talent assessment data and carefully selecting top talent in need of stretch assignments, the next step is to thoughtfully determine what the organization—and the high-potential candidates—need from a nontraditional assignment. Ask your leaders to determine the development needs up front clearly and comprehensively, and realistically weigh the balance of development and impact in the early months of the new role. Be sure that leaders can answer, “What is the key development question on this individual we will be able to answer after this assignment?” Formality is critical here. Take time to document the learning and development objective, and articulate what success looks like. Think ahead to the assignment that should follow as well. You’ll want to make sure that the development experience aligns with what you hope the candidate will be prepared to deliver in subsequent assignments.

## What Jobs Are Well Suited for Stretch Assignments?

With the objectives in hand, you need to identify the right jobs for this talent that will ensure that the talent can achieve the development growth that leaders require. At General Mills, the approaches we take depend on the career path and the business segment. A common thread is canvassing the organization for roles that offer the right level of exposure, learning, and support for in-function and cross-boundary talent. To do this well and prevent organizational churn, you may need to look for roles that are fairly interchangeable across a large team and commit some of them as flow-through assignments open to cross-functional or global talent. Whatever your approach, some roles in the organization must be strategically identified and set aside for top talent experiences.

## What Support Will Be Put in Place for Success?

Now that you've identified your very best talent and placed it in carefully curated job assignments with clearly stated development objectives for success, you may think you have all your ducks in a row. But without the necessary support, any one of the participants may wander off the path at any moment.

Even the very best talent in your organization requires reinforcement and support for an optimal experience to thrive and become more broadly capable leaders. Consider transition support, such as an internally identified mentor in the new function to ensure that the talent has strong lines of communication. Explicitly and transparently share the development objectives with participants and, where needed, reinforce any developmental needs with learning experiences and external support. Ensure that the anticipated tenure for the roles are mapped out with key development milestones marked along the way. And in all of this, ensure that someone within the organization is accountable, in partnership with HR, for this success plan. While there may be some resistance to such a high level of formality, these future leaders (and those who are hoping to see them succeed) will thank you.

## What Factors Make Stretch Assignments Less Desirable?

So far, these questions have assumed that all the considerations for stretch assignments rest with HR and leaders. But what if one of the high-profile candidates declines your well-planned offer? While some of this uncertainty is best managed in the early stages of the talent review process, part of a candidate's willingness to accept may be more based on the assignment itself. Does the candidate see it as a big deviation from her desired career track? How will it affect her pay? Will it slow her down in the short term? Do the risks of her role seem to outweigh the benefits?

The success of your stretch assignment practice relies on thoughtful design of compensation, career path, and communication elements of these less common moves. Carefully consider the value proposition and have an airtight rationale for your candidate on why this assignment is differential and accelerating. While this is easily said, it is less often executed well. For example, most organizations do not have compensation or levelling practices that make cross-functional moves financially advantageous for top talent.

## Closing Thoughts

The “More talent! Better talent! Ready sooner!” rallying cry serves as the central call to duty for all talent professionals. While each organization is different, the need to find more and better talent and prepare that talent to be leaders sooner is fairly universal. Here are a few key questions to consider to ensure that your organization is well prepared to build—and sustain—your talent pipeline. May they be as helpful to you as they’ve been for us.

## More Talent

- Do you have clear expectations for success?
- Are there agreed-on metrics for being “on plan” or “off plan”?
- Are your leaders aware of the rules of the road for managing talent?
- Do you have a common understanding of what talent management practices should achieve?

## Better Talent

- Are your leaders good at spotting potential? If not, are there common areas that seem to be barriers?
- Are you clear on patterns of derailment or acceleration for your organization?
- Are your leaders courageous enough to honestly assess and declare shortcomings in the pipeline and change gears where needed to address them?
- Have you built objective and valid assessment practices into your diagnoses of talent? If yes, are you fully leveraging those insights?

## Ready Sooner

- Are you clear on the different accelerating experiences that your top talent needs?
- Do you have plans to ensure that your organization can deliver those experiences?
- Have you designated certain key talent and roles to be managed at the enterprise level to ensure that you can navigate broad deployment of your organization's best talent?



## About the Authors

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# Strategic Performance Learning: How to Rethink Thinking

*Mike Vaughan and Joel Janov*

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In the increasingly complex world of business, leaders are challenged to think differently. This is because complexity defines the interconnected and interdependent relationships that make up an organization. It explains how a decision in one division can inadvertently affect another division. And it provides insight into why people are so stressed, why it is hard to hold people accountable, why it is difficult to get things done, and why it is so challenging to make changes.

The future of most organizations is uncertain, and the degree to which that sounds daunting depends on how well prepared an organization's leaders are to respond. The markets in which most organizations became successful either no longer exist or are wildly different from today's realities. In the past, organizations could practice predictive thinking, assuming that they know or can predict what the future holds and can set reliable goals based on this information. Predictive thinking may work well in fairly simple environments, but it is filled with significant risk, thanks to today's fast-paced, global, and highly competitive markets. In reality, what you don't know about your environment far exceeds what you do know.

Leaders must learn to adapt quickly to new and emerging situations, and to do this, they require a new way of thinking—scenario thinking. Through the practice of scenario thinking, leaders develop cognitive readiness, or the mental preparation they need to sustain competent performance in complex and unpredictable environments. Scenario thinking helps leaders address the uncertain, variable future head on. For talent management professionals, the challenge is to deliver programs that move beyond predictive thinking and focus more on scenario thinking.

But observations from the Regis Company find that most leaders are not prepared with the type of thinking required to successfully use data to make quality decisions and adjust to unknown situations. Simply put, leaders lack the cognitive readiness to adapt.

As a result, organizations have two fundamental needs. They need to:

- Make evidenced-based decisions—to strive to make fact-based decisions using data, rather than reactive or ill-informed decisions.
- Improve cognitive readiness of leaders—to better understand and adapt to the variability, risk, and uncertainty inherent in today's operating environment.

These needs pose a great challenge for talent management professionals trying to help leaders make sense of their complex organizations. Talent management professionals are seeking new ways to design programs that reflect current market dynamics while preparing leaders to adapt to possible future conditions. But to accomplish this, they must first address some significant challenges:

- How do you effectively assess individual, team, and organizational cognitive readiness in order to design high-leverage and high-impact leadership development programs?
- How do you design leadership development programs that expose and deconstruct outdated and deeply ingrained behaviors?

The rest of this chapter outlines a framework that reflects changing leadership development needs while developing scenario thinking to improve decision making.

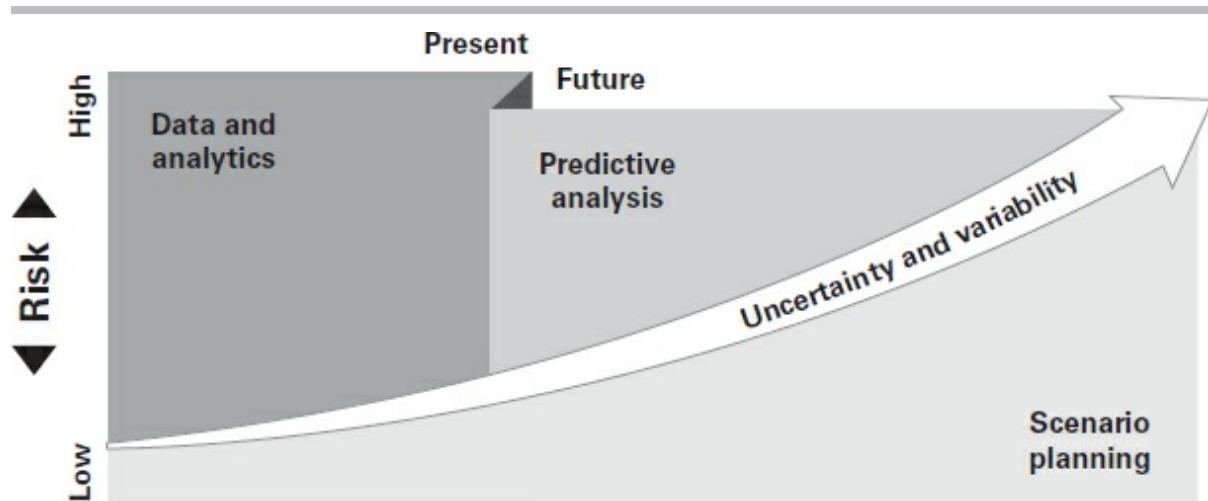
## Scenario Thinking

Pierre Wack (1985), the father of scenario planning, aptly said, “The future is no longer stable; it has become a moving target. No single ‘right’ projection can be deduced from past behavior. The better approach, I believe, is to accept uncertainty, try to understand it, and make it a part of your reasoning.”

Scenario thinking is just that—the practice of accepting, understanding, and making uncertainty part of your reasoning.

Consider [Exhibit 18-1](#), which shows how data and analytics and predictive analytics provide one perspective and scenario planning another. While data and analytics and predictive analytics lead to a smaller set of options in the future, scenario planning expands the options. As most top business leaders know, having more options in the future is preferable. In addition, as leaders progress through the scenario planning process, they further develop their scenario thinking abilities.

Exhibit 18-1. Scenario Thinking Model



Scenario thinking starts with the present and involves making decisions with data and analytics. Just as you might check the weather forecast in the morning to determine how to dress for the day, organizational leaders must tune in to the key metrics that describe the “weather” surrounding their organizations each day. These data are useful in overcoming the biases that inherently obscure one’s judgment.

But data and analytics have limits; they describe events that have happened in the past or that exist in the present moment. No sooner is the temperature gauge checked than the temperature changes. Leaders who rely solely on descriptions of their organizations that measure the past put themselves and their organizations at risk. In a rapidly changing and complex world, the past doesn’t always reliably predict the future.

When events unfold quickly due to unforeseen factors, data and analytics can't tell you much. Even with all the data and technology, scientists still can't predict most earthquakes, volcanic eruptions, or tornadoes until the moment they occur. Likewise, most organizations still struggle to predict large-scale shocks. Leaders who rely solely on data and analytics are ignoring a substantial component of the risk confronting their organizations, whether in the form of a competitor swooping in with a disruptive new product, rapid shifts in consumer demand, geopolitical instability, a security breach, or a negative message gone viral. Business is full of organizations like BlackBerry, Kodak, and Yahoo! that relied on past success and not on the consideration of potential scenarios that could cause dramatic shifts.

To help overcome these limits, organizations can apply predictive analytics. Predictive analytics uses the organization's historical data and decisions to model potential future scenarios. Just as meteorologists study past weather patterns to create models to help predict future weather, business leaders can use predictive analytics to envision scenarios of their possible future. Predictive analytics can help business leaders evaluate future market trends, revenue, and cost projections.

Predictive analytics, too, has limits. Given the reliance of predictive analytics on historical data, the further out business leaders look, the less reliable or useful predictive analytics becomes. Meteorologists often misjudge the weather forecast even just a day or two in advance, and they have little hope to accurately predict the weather two weeks out. Similarly, predictive analytics allows for significantly improved decision making, but it can come with a false sense of security and a number of blind spots.

To mitigate the risk of uncertain futures, you can attempt to add more uncertainty to leaders' thinking. It may sound counterintuitive, but when leaders learn to accept uncertainty, they actually increase the number of future options available to them. They can learn to accept uncertainty through scenario planning, which develops their capacity to recognize risk by exploring alternative future options that data and analytics cannot.

Scenario planning is "a discipline for building alternative futures in which decisions can be played out for the purposes of changing thinking, improving decision-making, fostering individual, team and organizational learning, and improving performance" (Chermack 2011). Scenario planning challenges leaders to evaluate their assumptions and reasoning by forcing them to consider all that could happen across a range of scenarios. The process surfaces a broad spectrum of possible futures, which is instrumental in forcing leaders to rethink their (potentially flawed) thinking. The scenarios are then used as a testing ground for an organization's strategy, planning, and decision making.

As leaders go through the scenario planning process, they develop their scenario thinking abilities. In other words, they increase their cognitive readiness so that when they face an unexpected situation, they are better prepared to thoughtfully consider the possible options

and consequences.

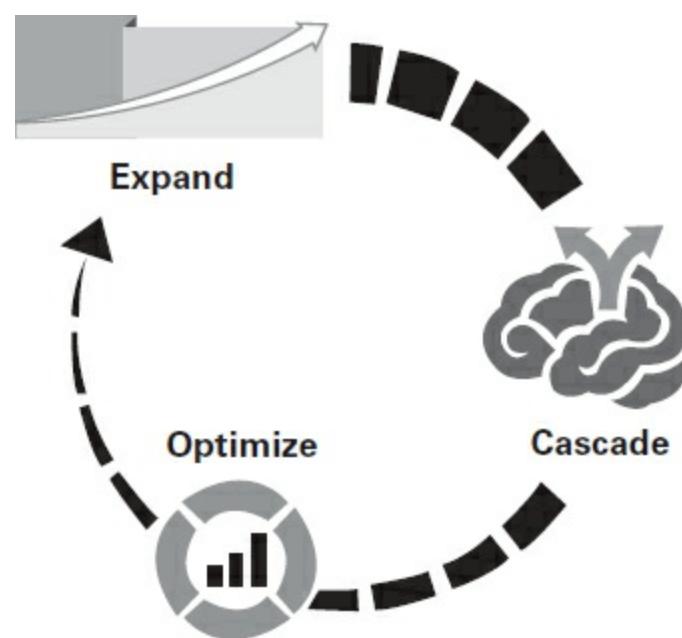
To develop the thinking that improves leaders' cognitive readiness, organizations need to shift from traditional training, which is often designed around the highly structured, conceptual, and linear delivery of content culled from the popular business learning of the year. To develop scenario thinking, training programs require designs that actively engage the participants as the authors of their own learning. Organizations need a new approach called strategic performance learning.

## Strategic Performance Learning

Strategic performance learning leverages transformational learning approaches that in the past were delivered to a select few leaders within only the most progressive organizations. Through the convergence of scenario planning, responsive simulations, and integrated analytics, organizations can more effectively deliver highly targeted leadership development experiences that shift the way participants engage with a complex, fast-paced, and ever-changing world.

Strategic performance learning has three phases—expand, cascade, and optimize—that form a virtuous cycle to create thinkers and leaders capable of analyzing, understanding, making decisions, and taking action in a complex and changing environment. [Exhibit 18-2](#) shows a brief overview of the three phases.

Exhibit 18-2. Strategic Performance Learning Cycle



The expand phase leverages the well-established practice of scenario planning to broaden and deepen participants' understanding of the organizational system and the environment in which it operates. The cascade phase leverages simulations to bring the learning from the scenario planning process to life by transferring the learning throughout the organization. And the optimize phase leverages the data collected from scenario planning and simulations to guide the identification, prioritization, and design of future individual, team, and organizational leadership development programs.

Taken together, these three phases form the strategic performance learning cycle. As participants progress through the three phases, they develop a mindset for scenario thinking, which, in turn, improves their cognitive readiness. Let's explore the strategic

performance learning phases in more detail.

### Leveraging Strategic Performance Learning to Become Relevant

As the director of a learning and development team at a Fortune 500 company, Mary is repeatedly tasked with developing and deploying solutions relevant to the business. Adopting strategic performance learning is helping her accomplish that.

“We are always struggling to make our team relevant,” Mary said. “That is, we want solutions that not only place us at the executive table, but also allow us to anticipate our leaders’ needs. Strategic performance learning does that for us. We hear from our leaders that they appreciate how deeply integrated the learning is with their jobs. Leaders feel that scenario planning sets a framework for thinking and is something they should be doing regularly. So to have it integrated with learning is a huge benefit and, frankly, a big win for us.

“In addition, being able to now cascade the issues, problems, and opportunities that leaders discover during the planning phase to others in the organization is truly transformational. Previously, our communications team would put out memos or slide decks, or our training team would craft some learning objectives that led to various training modules. The trouble with those methods is that people couldn’t see how their actions contributed to the problems. To be able to see decisions play out over time in the responsive simulation is incredibly powerful. And for the first time we have data—not smile sheets, but real data—that help us target our ongoing learning and development needs.”

## Expand

The expand phase is itself the end result of a two-step process: first, participants break down their dated or inaccurate mental models, and second, they work together to rebuild shared, more accurate mental models. In doing so, as a team, leaders become more effective while sharing a more robust understanding of their business and the environment in which it operates.

One of the most effective ways to create and share accurate mental models across a team is through scenario planning. Scenario planning provides a structured process through which individual, team, and organizational understanding is exposed, challenged, deconstructed, and rebuilt. This process equips participants to have a more complete and accurate understanding of the environment in which they make decisions.

### Mental Models

Mental models are the lenses through which we see and understand the world and everything in it. As such, they are the mental representation of how we see ourselves, other people, and our workplace. Mental models help us assign value, form perspectives, and establish opinions. Mental models influence how we feel and react to others. Because every decision we make is based on a model we hold, our models are important to our success—or struggle. As Pierre Wack said, “the most important purpose of scenario planning is to alter mental models and to shift the thinking inside the organization about what might happen, in the future, in the external environment.”

Scenario planning challenges individuals’ and teams’ mental models by depicting a rich tapestry of possible futures (scenarios) framed around key environmental drivers. These drivers are of high impact and high uncertainty for the organization and would have otherwise been outside of leaders’ awareness. The goal isn’t to identify exact futures but rather to expand leaders’ awareness of a wide range of possible futures. This provides a deeper understanding of the dynamics of the business.

### Learning That Leads to Application

Many of our clients are concerned that people within their organizations are prone to working on autopilot, making decisions inside an environment they believe to be true. The concern is that this underlying belief was created amid an environment that is no longer present or is radically different from the one in which they are operating today.

Exploring alternate futures driven by high-impact, high-uncertainty factors takes leaders off autopilot and forces them to think critically and deal with the unknown.

The result: leaders develop mental models that not only are more accurate, but also take into account a much broader view of the business and its environment.

Scenario planning helps participants:

- increase their understanding of environmental dynamics
- improve their ability to see opportunities or issues in a new way
- share a common understanding of the organization and issues it faces
- align their efforts with the organizational system
- craft a robust strategy.

Scenario planning on its own is a worthwhile endeavor, but with the vast amount of rich data collected during the process, organizations need to socialize the learning achieved during the scenario planning process beyond a single group of leaders. They need to cascade the new learning throughout the organization.

## Cascade

An organization is the sum of its people. If all the members of the organization understand what is needed from them (and they act accordingly), the organization will thrive. If only a few leaders understand, the organization will struggle. So while scenario planning is ideal for preparing leaders, it runs into problems when an organization tries to cascade the learning across all of its levels. In other words, leaders who participate in the exercise benefit, but sharing that learning with others can present challenges.

Simulations can help organizations overcome these challenges. Combining scenario planning and simulations offers the best of both worlds: a truly exploratory learning event in which leaders emerge from a process of dialogue, evaluation, and critique, and a more structured learning event in which other employees see how their decisions and actions align with their leaders', as well as witness how their decisions play out over time.

Organizations have used simulations for years to help people improve their skills as they practice, make decisions, and take action in real-life settings—without the real-life risks of failure. To cascade the challenges and opportunities uncovered during the expand phase, however, organizations require a new type of simulation, one that goes beyond traditional branching or spreadsheet simulations. They need responsive simulations.

Optimized to replicate the dynamic complexity of the work environment, responsive simulations account for the messy real-life complexity of geopolitical, economic, business, and human dynamics that consume leaders' energy. Responsive simulations allow participants to test decisions that fall into the gray area, where the right decision is the one balanced between competing priorities given the circumstances at the time of the decision. Through a well-designed simulation, participants can emphasize the key short- and long-term tradeoffs present in the decisions that leaders face.

During scenario planning, scenarios are presented so that participants in the simulation must evaluate them from varying perspectives. A simple example, but one that many people struggle with, is dealing with the tradeoffs around the amount of time and attention they apply to decision making. Time and attention, being finite resources, create tradeoffs—do A, or do B. However, most people face multiple interrelated tradeoffs—do A and evaluate the impacts to C while addressing the fallout of D, and then do B. Most people struggle to understand the tradeoff between time and attention. Add in market, geopolitical, and economic dynamics, and the result is a highly complex system.

Responsive simulations can model the real-life complexities, while also capturing behavioral data. Organizations can then provide participants with these behavioral data (success of decisions over time, effectiveness of collaborating with others, ability to evaluate scenarios) to reveal blind spots and flawed thinking. Equally important, the good thinking surfaced

during the expand phase is cascaded throughout the organization, creating a shared and more accurate reality of possible future organizational challenges.

## Optimize

Given the rapid pace of change within most organizations, one-time transformational learning outcomes are no longer enough. Organizations must be constantly learning, discussing, and engaging their people in order to challenge and improve the accuracy of mental models. An added benefit to both scenario planning (expand) and responsive simulations (cascade) is that both qualitative and quantitative data are readily available and can be used to target where the next round of learning should occur (optimize).

### New Ways of Thinking Not Previously Considered

As the executive vice president of his company, John faces the challenges of finding effective ways to shift the mindset of the company's leaders quickly. After trying some unsuccessful approaches, John turned to responsive simulations.

"The best part of a responsive simulation is cascading the challenges and opportunities that our leaders uncovered during the expand phase to others in our organization," John said. "In doing so, people begin to appreciate the complexities leaders face. Equally important, they start to surface limitations in their own mental models. When this happens we can actually feel a transformation—a sense of excitement and new ways of thinking emerge. What I appreciate more than anything is the new ways of thinking not previously considered by the leadership. That is, during the simulations teams generate potential new ways for the organization to approach an opportunity in the marketplace. That's game changing."

The data-collection process begins with scenario planning, which generates data on the most important issues for the organization. The scenarios become rich descriptions of the major external forces affecting the business and their potential significance, including market dynamics and signals that may indicate when current strategies must change. The information obtained in this process is key to the development of rich, plausible, and highly relevant responsive simulations.

During the simulations, more data are captured. For example, data on what decisions were made and why, data on how those decisions played out over time, data on whether the decisions aligned with the stated strategy, and data on whether the mental models improved. The data collected throughout the simulations can be mapped to specific constructs such as leadership styles, risk or change tolerance, and business acumen. The data can then be analyzed, similar to how a Myers-Briggs test assesses your social style preferences. The distinction is that the simulation data are based on choices made within a relevant context and are therefore more likely to show how a participant would actually respond under pressure.

Combined, the data from the expand and cascade phases help optimize subsequent rounds of scenario planning and responsive simulations. They create a virtuous learning cycle aimed at tackling the toughest talent management challenge of all: getting people to think and act differently.

As the saying goes, the only constant is change. For organizations and talent management professionals, this truth carries an underlying imperative: to sustain healthy growth, leaders must continuously adapt their way of thinking. Without the ability to understand and embrace uncertainty—with only a partial perspective of reality—leaders will struggle to lead effectively, and organizations will falter.

Strategic performance learning offers a path forward, helping talent management professionals use scenario planning to design leadership development programs that expose and deconstruct outdated and incomplete mental models in order to better equip organizational leaders with the required tools to adapt to unforeseen challenges. Through a virtuous cycle of expanding, cascading, and optimizing, talent management teams and organizational leaders can rethink their thinking and become the authors of their own learning evolution.

## Getting Started

The best place to start strategic performance learning is to identify a key business challenge that leaders must address. This is usually done by conducting interviews with various stakeholders. Data from interviews are compiled and analyzed to determine what balance points or tradeoffs leaders are facing relative to the business challenge.

With a business challenge in hand, scenario planning is launched as phase one. Through a set of expertly facilitated sessions and scenario development, the worrisome issues and uncertainties that cloud decision makers' thinking are drawn out and developed into rich, descriptive scenarios. These scenarios are then used to engage company leaders in critical-thinking exercises that test decisions, strategies, and plans.

The data from this process are captured and serve as the guide for phase two—developing responsive simulations. The simulations cascade the challenges and issues surfaced during the scenario planning and capture participant data that are then analyzed and provided back to leaders in the form of recommendations and insights (phase three).

So what makes strategic performance learning so attractive to executive teams? Done properly, it ties talent management directly to business outcomes by combining real business data and conditions with collaborative learning that often leads to solutions that the business can implement.



## About the Authors

Mike Vaughan is managing director, co-founder, and CEO of the Regis Company, a globally recognized leader in simulation design that applies neuroscience principles to custom leadership programs. With a lifelong passion for learning and thinking processes, he has conducted industry-leading research around the analysis of how high-value leaders think. He is the author of *The End of Training: How Simulations Are Reshaping Business* and *The Thinking Effect: Rethinking Thinking to Create Great Leaders and the New Value Worker*. He holds degrees in cognitive science and computer science from Colorado State University and is continuing his research as part of his graduate-level work in neuroscience at Middlesex University in London.

Joel Janov is program director with the Regis Company, where he leads the development of complex leadership development programs for clients including Abbott Laboratories, BNSF Railway, Ernst & Young, Intel, and the United States Air Force. His programs have received the leadership development industry's highest honors. He is a doctoral candidate with a master of education in education and human resource studies, specializing in organizational performance and change. With extensive experience in both qualitative and quantitative research, he is an expert in the field of scenario planning and simulation design. He also holds a bachelor of science in mechanical engineering from the University of Colorado.

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## Building a Leadership Development Strategy

*Larry Clark*

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Thousands of books and papers have been written about leadership development, many with unique perspectives on how to equip leaders to lead in an environment of rising complexity and volatility. And the broad topic of leadership development has been chopped up into hundreds of subcategories—from basic communication skill models to psychometric assessments, to cross-generational leadership, and even to adult developmental theory and human systems theory and what it says about leadership. It can be difficult to know where to begin.

This chapter does not attempt the impossible of distilling down to the best of this thinking. What is best for one organization may not make much of a difference in another, especially if it is not tied to a larger strategy that develops the overall leadership horsepower needed to meet a specific organization's goals. Instead, this chapter focuses on how to build a basic framework for developing an organization's leadership capability and capacity—one tightly aligned with the needs and direction of the organization it serves. And if your organization already has a solid framework in place, hopefully you can take some of the ideas here to help refine your approach.

This chapter starts by covering the leadership talent needs of the organization—the “why” of leadership development. From there, it moves on to the “what” and the “how.” It then concludes with some questions you can use within your organization to create the leadership development framework that makes the most sense.

## Why Leadership Development Matters

Many leaders think of leadership development in terms of management classes, “rocks and ropes” team-building exercises, an executive development course at a respected university, or other activities that they have experienced during their careers to help them and their teams perform better. While this isn’t entirely wrong, the real goal of leadership development goes much more to the heart of the organization—to create a strong, sustainable pipeline of high-performing leaders at all levels.

Organizations today, whether public or private, are being forced to adapt more quickly to highly complex conditions, some with no precedent for leaders to leverage when making decisions, coaching their teams, or addressing issues. Rapid technological advances, unpredictable shifts in the regulatory environment, and severe gaps in critical skills in the labor market are just a few issues conspiring to disrupt how organizations work. As a result, leaders who can engage and develop teams to thrive amid complexity and change are more critical than ever to driving effective day-to-day performance and to ensuring the organization’s long-term sustainability. And because it takes years of hard work to grow strong leaders, more organizations are investing considerable time and effort to understand and improve the health of their leadership pipeline.

Building a leadership pipeline in an organization is a journey—one that demands a level of organizational will and focus on par with an organization’s commitment to its mission. The journey often requires fundamental shifts in how an organization’s most senior leaders think about leadership, how it hires and moves talent across the organization, and even how it is structured. For these reasons, the first step in building a strong leadership pipeline is articulating a clear, compelling bridge between your leadership development strategy and your organization’s core objectives.

Fortunately, building this bridge doesn’t require hiring a team of consultants to create a complex return on investment justification that proves that leadership development is a sound financial investment. What it does require is developing a simple, clear link between three critical elements—the results expected from the organization, a healthy and sustainable “bench” of leaders at all levels, and a development strategy that maintains that leadership bench and delivers business results. Let’s first explore the organizational results element; the other two will be covered later in the chapter.

## Focus on Results

Whether an organization measures its success in terms of revenues and profits, or in terms of milestones in its mission, the “why” of leadership development will be the same in the eyes of senior leaders. Senior leaders must drive two types of results for the organization: short-term progress against its goals (such as quarterly earnings or annual commitments to the board) and its long-term sustainability (such as accomplishment of its mission or the ability to adapt to changing market conditions over many years).

The reason for aligning your leadership development strategy to both short- and long-term results is two-fold. First, most senior leaders wrestle daily with addressing the urgent present without compromising the larger future-focused mission, so aligning to these two types of results resonates with the core challenge of their role. Second, your strategy should address both broad-based development for all leaders (to consistently deliver against short-term goals) and targeted development of high potentials and the leadership bench (to ensure long-term sustainability).

At the end of this chapter are some questions that you can leverage with your senior leaders to determine the short- and long-term goals they need to drive for the organization, as well as the challenges they need to address. By being able to articulate these goals and challenges, you can start to build out the rationale for the next element—the need for a strong, sustainable leadership pipeline.

## Building the Leadership Pipeline

Once you have clarified the short- and long-term organizational needs, goals, and challenges, you can start to look at leadership talent through the lens of talent management. A core purpose of talent management is to ensure that the organization has enough leaders at each level—first, to run the organization effectively in the short term, and second, to sustain it over the long term.

## Understanding the Leadership Pipeline Model

The term *leadership pipeline* was made popular in the book *The Leadership Pipeline*, by Ram Charan, Stephen Drotter, and James Noel in the early 2000s. The pipeline concept, as well as the underlying principles of how to create a strong leadership pipeline, provides a straightforward, practical, and highly usable approach to thinking about leadership development and talent management.

Their book describes seven levels of management in an organization, from “manager of self” to “enterprise manager.” Instead of looking at each level as a more complex or strategic version of the previous one, the seven levels of leadership are described as unique jobs—as different from one another as a finance job might be from a marketing job. The movement from one level to another is referred to as a “passage,” and each passage requires a leader to make fundamental shifts in three areas (Charan, Drotter, and Noel 2011):

- skill requirements—the new capabilities required to execute new responsibilities
- time applications—new timeframes that govern how one works
- work values—what people believe is important and so becomes the focus of their effort.

By viewing the leadership levels in your organization in this way, you can start to understand the dynamics of your own leadership pipeline, in terms of how it supports your business results, where you may have your greatest issues with succession planning, and where you may need different types of investments for leadership development.

## Applying the Leadership Pipeline Model to Your Organization

No one model fits all sizes. For example, most organizations will probably not have seven distinct levels of leadership, which means each organization has to define its levels of leadership accordingly. Even though the leadership levels are largely hierarchical, the model can be easily applied to flat, agile organizations that have more-fluid structures than large, traditional organizations do. By analyzing your organization and its leadership through this pipeline lens, you can quickly move the work of developing leadership capability and capacity from the abstract idea of leadership development to the real work of defining “what great looks like” at each level of leadership, identifying gaps in your leadership pipeline, and planning recruiting and development efforts to fill these gaps. At the end of the chapter are questions you can use to better understand your organization’s leadership pipeline and its impact on the organization.

## Targeting Development: Depth Versus Breadth Strategies

Your approach for developing leaders needs to directly address both the short- and long-term performance challenges for the organization. [Exhibit 19-1](#) shows how each demand on the organization requires a different focus and approach to developing leaders.

**Exhibit 19-1. Aligning Leadership Development to Organizational Demands**



Because all leaders need to drive high-performing work teams and results, you can think of this first approach as your “breadth” strategy—one that needs to encompass all leaders at all levels. In contrast, the second approach of building leadership capacity to meet future demand, or “depth” strategy, targets a much smaller audience of leaders—high potentials at each level of leadership who must be prepared to advance to higher levels of leadership.

This second group is often defined through succession planning and the creation of talent pools for leadership roles critical to the organization’s long-term success. Depending on the current health of your leadership pipeline, this might be somewhere between 1 percent and 5 percent of your employee population. That figure could also vary by level of the organization and expected turnover at each level. For example, because of the large number of frontline employees in an organization, deep development of just 1 percent of that group could yield a similarly large number of potential frontline managers to fill expected openings. At the same time, to prepare a pool of vice presidents to lead an organization that may experience a great deal of turnover in the coming years could require developing 5–10 percent or more of the total population of leaders just below that level.

[Exhibit 19-2](#) outlines each of the two strategies, in terms of its focus, target audience, development goals, and general approach.

**Exhibit 19-2. Driving Performance Today Versus Building Future Capacity**

	<b>Strategy 1: Drive performance today</b> "Breadth" strategy	<b>Strategy 2: Build future capacity</b> "Depth" strategy
Organizational focus	<ul style="list-style-type: none"> <li>• High-performing work teams</li> <li>• Near-term organizational results</li> </ul>	<ul style="list-style-type: none"> <li>• Creating bench strength</li> <li>• Developing ready-now successors</li> </ul>
Audience	<ul style="list-style-type: none"> <li>• All leaders at current level (broad based)</li> </ul>	<ul style="list-style-type: none"> <li>• Selected high potentials (1–5 percent of leaders)</li> </ul>
Development goals	<ul style="list-style-type: none"> <li>• Accelerate time to readiness (fast ramp-up)</li> <li>• Maximize leader's performance and results</li> </ul>	<ul style="list-style-type: none"> <li>• Assess and build next-level capabilities</li> <li>• Expand perspective for transition to next level</li> </ul>
Approach	<ul style="list-style-type: none"> <li>• Skills training</li> <li>• Tools and resources to support performance</li> <li>• Information and connection on demand</li> </ul>	<ul style="list-style-type: none"> <li>• Immersive learning to shift mindset</li> <li>• Cross-functional project work and coaching</li> <li>• Executive exposure and re-recruitment</li> </ul>

While the two strategies seem unrelated, they actually complement each other. Your breadth strategy helps leaders to perform well in their current role, a prerequisite to moving up in the organization. Without a solid breadth strategy for leadership development, the longer-term potential of your leaders would be masked by their inability to do their current jobs effectively. At the same time, your depth strategy creates a pipeline of people moving up in the organization, who will then need to be properly onboarded and developed to handle the day-to-day responsibilities of their new level of leadership.

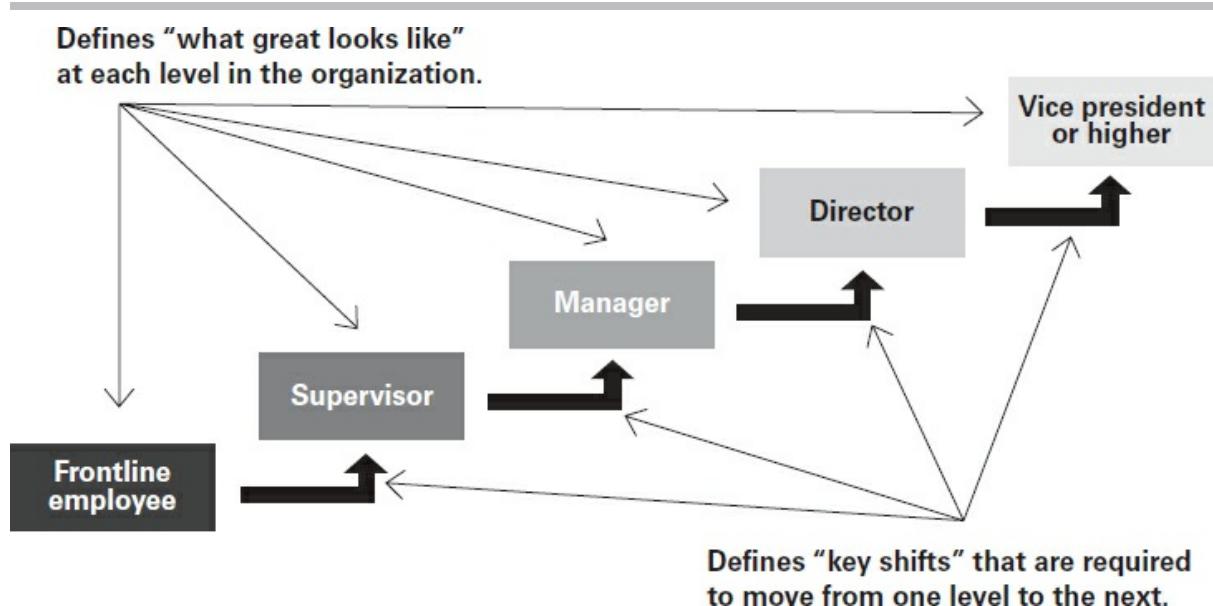
## Defining What Great Looks Like

With a structure that frames the leadership levels in your organization, along with a clear delineation between short- and long-term demands on leaders at each level and the development strategies to support them, it is time to shift focus to the content of your leadership development efforts. Do you focus on emotional intelligence first? What about learning agility, or vertical development? Where do basic communication and management skills fall, or business acumen? How do assessments fit in?

Many of these questions can be answered through the use of competencies. Competencies are, quite simply, what a person needs to know or be able to do to be effective in a specific role. They are intended to define a performance standard, clarifying “what great looks like” for a particular role. They are often broken down into two broad categories—functional and leadership (or professional). Functional competencies describe what it takes to be successful in a specific field or profession, like software engineering or finance. A good example would be the 10 areas of expertise in The ATD Competency Model, which are functional competencies targeting the talent development profession.

Leadership competencies cut across various fields and professions, describing what great leadership looks like in a specific organization. Much like with the leadership pipeline model, each level of leadership represents a different job, so leadership competency models will often have a tiered structure ([Exhibit 19-3](#)). With a tiered structure, the leadership competency model needs to clarify two key things. First, it should describe the performance standard for each level of leadership. Second, it should define the key shifts in mindset and behavior that a leader must master when making the passage from one level to the next.

Exhibit 19-3. Leadership Competency Model



Armed with this information, you can leverage the performance standard for each level to determine priorities for your broad-based development strategy, while using the key shifts as a focus for your depth strategy.

Large organizations may choose to develop a custom competency model for its leaders that aligns with the organizational culture or emphasizes behaviors and skills critical to its success. Other organizations may choose to leverage one of the well-researched leadership competency models in the marketplace (for example, the Korn Ferry Leadership Architect Global Competency Framework). Either way, having a well-defined set of competencies provides a common language across the organization that can be used for leadership development, as well as for job descriptions, interviewing, performance assessments, and even advancement decisions.

Once your competencies for leaders are clear, the priorities for development at each level can be defined through assessments. Assessments can range from a simple self-assessment against the behaviors in the competency model, all the way to intensive, interview-based 360-degree assessments, gathering information about a leader from direct reports, peers, their boss, and other key stakeholders with whom the leader engages regularly. If key gaps emerge, you can create a heat map of competency areas that require focus for each level of leadership.

A recent competency trend is using observable attributes of longer-term potential to identify high-potential employees who have the ability to move up in the organization. In his *Harvard Business Review* article from June 2014, Claudio Fernández-Aráoz describes five attributes of high potentials, based on extensive research of career trajectories of successful executives:

- motivation
- curiosity
- insight
- engagement
- determination.

Similarly, much research has gone into the topic of “learning agility” as the indicator of high potential over the long term, and several organizations including the Center for Creative Leadership and Korn Ferry have built assessments and development programs to support organizations in leveraging learning agility in their leadership development frameworks. In a 2012 *Personnel Review* article, Nicky Dries, Tim Vantilborgh, and Roland Pepermans break learning agility out into four dimensions:

- mental agility—thinking quickly amid new ideas
- people agility—being open to feedback and diverse ideas

- change agility—participating in change processes
- results agility—being able to perform under difficult circumstances.

Well-researched competencies, whether based on observable behaviors, attributes for potential, or both, provide a solid foundation for defining the “what” of your leadership development efforts. Because your competencies are based on the leadership behaviors most important to your organization at each level, you connect all the way back to the goals and values of the organization. And by using the breadth and depth strategies together, you address both the short- and long-term needs that make your organization strong now and into the future.

With background on the “what” of leadership development, let’s move on to the “how”—focusing on the types of learning experiences that get results.

## Leaders Don't Grow in Classrooms

Leaders today are required to learn continuously in an environment of constant change, increasing complexity, and heavy workloads. At the same time, technology for collaborating with others and accessing information has become commonplace in this environment. Think about how your employees find, consume, share, and use information today. You've probably noticed that people learn very differently today than in the past—grabbing the bits of information most useful at the time of need and applying it right away, rather than signing up for a course they can take in their free time.

The 70-20-10 model of how adults learn (70 percent on the job, 20 percent from others, and 10 percent in structured learning like a classroom) emphasizes what most senior leaders intuitively know—that the best way to teach someone a job is to make them do it, and provide support along the way (Lombardo and Eichinger 1996). And research published by the NeuroLeadership Institute shows that learning needs to be a process that unfolds over time, with smaller amounts of information shared and experimented with in a positive, engaging environment—a model called AGES (attention, generation, emotions, and spacing) (Davachi and others 2010).

For all these reasons, the traditional classroom course, still a staple in corporate learning, is becoming less viable as the sole means for developing leaders. Rather, it should be thought of as just one component of a broader approach to building leadership. In fact, organizations can choose from a range of approaches—from deeply immersive experiences like rotational assignments or business simulations, to on-demand resources like knowledge assets (short videos, job aids), and to performance support tools built into business processes and systems to teach employees how to do a task while they do it ([Exhibit 19-4](#)).

Exhibit 19-4. Examples of Learning Approaches



The ideal strategy uses these various approaches in some combination. With the advent of social collaboration platforms like Jive, SAP Jam, and Yammer, as well as massive open online course (MOOC) platforms, corporate learning leaders have new options to stitch together virtual classroom events, project work, knowledge assets, assessments, and team assignments into highly interactive social learning processes that can scale to hundreds or even thousands of learners simultaneously across multiple locations.

From a practical perspective, learning functions work within limited budgets and need to

determine the most effective ways to develop leaders within those budgets. Because of the value of high-potential leaders to the organization, the annual investment per person for your depth strategy will likely be significantly higher than the investment per person for your breadth strategy. This is true not only from a financial perspective, but also from the investment of time by senior leaders in the development process. Let's take a look at some common approaches to support the depth (high potential) and breadth (all other leaders) development strategies.

## Approaches for Developing High Potentials (Depth Strategy)

The main focus on developing high potentials is to support them in taking on new responsibilities and moving up in the organization. Organizations that do this well focus on three main goals of developing high potentials—to equip, expose, and embrace your high potentials ([Exhibit 19-5](#)).

Exhibit 19-5. Goals of Developing High Potentials

Equip Build capabilities	Expose Build visibility	Embrace Build commitment
<ul style="list-style-type: none"> <li>• Build capabilities and business insight</li> <li>• Focus priorities and time horizons</li> <li>• Develop skills needed for next level of leadership</li> </ul>	<ul style="list-style-type: none"> <li>• Create internal networks</li> <li>• Provide executive visibility to pool of high potentials</li> <li>• Help high potentials see across the organization</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthen emotional connection to the enterprise</li> <li>• Continuously “re-recruit” high potentials</li> <li>• Underscore long-term commitment to their careers</li> </ul>

To accomplish all three goals, high potentials typically take on real work assignments that stretch their capabilities and force accelerated learning, and are then supported in those assignments with more structured learning and coaching to help them succeed and learn from the experiences. Organizations are likely to employ the following elements together in a program that could run from six months to two years or longer:

- *Assessments.* This could be a 360-degree assessment based on the competency model, a psychometric assessment (for example, the Birkman Method, Myers–Briggs Type Indicator, and Hogan Leadership Forecast Series), or both together to promote understanding and help identify strengths and areas to develop.
- *Individual development planning.* High potentials develop individual development plans targeting specific learning areas that will help them take on new and greater responsibilities in the organization. The learning areas could include specific skills they need to perform and knowledge of different functions in the organization.
- *Assignments.* Based on their individual development plans, high potentials take on individual or team assignments to expose them to new experiences and test their capabilities. These assignments can be a formal job assignment (such as a job rotation), a temporary project to lead in addition to their “day job,” or an action learning project focused on a real business problem that combines teamwork, cross-functional exposure, and coaching. These assignments incorporate senior executives as coaches and sponsors, providing the executives exposure to the high potentials and providing the high potentials with the executive oversight needed to be

successful.

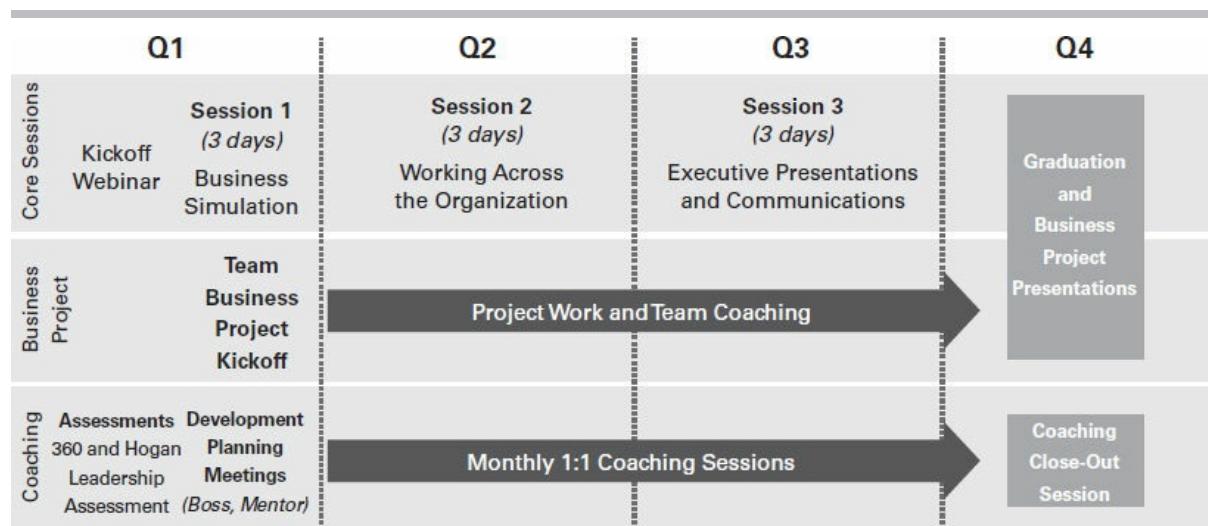
- *Learning sessions.* Structured classroom sessions and workshops are used to support the project- and assignment-based learning on the job, providing information, skills, and tools to apply during the assignments. In the best situations, these sessions are taught by the organization's senior executives, who also use the opportunity to expose high potentials to the culture, values, and priorities of the organization.
- *Individual coaching.* Because of the intensity of high-potential development, high potentials can benefit from one-on-one coaching sessions to help them make sense of everything that is going on around them, better understand their own leadership, and integrate the learning so they can apply it in other situations.

[Exhibit 19-6](#) shows how a program might integrate the above activities into a year-long learning experience for middle managers.

## Approaches for Broad-Based Leadership Development (Breadth Strategy)

In broad-based leadership development, the goal is to help leaders excel in their current role. This means ramping up quickly to new responsibilities and learning to drive high performance from their teams. Because the focus is on the performance of the leader and the team at the current level, your organization may need to leverage a set of core development activities to move the leader through the key phases of the job, as well as provide on-demand learning assets that can address leadership needs in the moment. Let's take a look at how each type of learning might work.

Exhibit 19-6. Sample Structure of a Middle Manager High-Potential Program



The core development activities could be organized around three key phases of development: onboarding, progression, and transition (Exhibit 19-7). The exhibit uses the example of a learning path for a frontline leader, which could take two to four years to move through the three phases.

Exhibit 19-7. Three Stages of Development for a Frontline Leader

Example: Developing a Frontline Leader (2–4 years)

	Onboarding 0–6 months in role	Progression 12–18 months in role	Transition 2+ years in role
Key Objectives	<ul style="list-style-type: none"> <li>Learning the basics</li> <li>Making the transition to people leadership</li> </ul>	<ul style="list-style-type: none"> <li>Learning your unique strengths and gaps</li> <li>Mastering the subtleties of top performance</li> </ul>	<ul style="list-style-type: none"> <li>Exploring skills and mindset for the next level</li> <li>Stretching beyond your current role</li> </ul>
Example Topics	<ul style="list-style-type: none"> <li>Role of the Frontline Leader and Making the Transition</li> <li>Essentials of Performance Management</li> <li>Understanding and Coaching to Business Metrics</li> <li>Time Management for Managers</li> </ul>	<ul style="list-style-type: none"> <li>360-Degree Assessment and Feedback</li> <li>Individual Development Plan (aligned to assessment results)</li> <li>Selecting and Developing Talent</li> <li>Building a High-Performing Team</li> </ul>	<ul style="list-style-type: none"> <li>Introduction to Managing Managers</li> <li>Cross-Functional Stretch Assignment</li> <li>Job Shadowing of a Second-Level Manager</li> </ul>

With the above structure in place, additional on-demand learning assets can provide quick support that a leader could use as needs arise. Following the frontline leader example, the organization may, for example, make available short videos by leaders in the organization, job aids, and other resources that help the leader perform tasks like preparing for a corrective action discussion, planning a team meeting, or writing a performance review.

## Pulling It All Together

Every organization is unique, and your organization should apply the above ideas and concepts in your own way. The questions below can act as a guide to building or optimizing the leadership development approach that works for your organization—from aligning to results, to assessing your leadership pipeline, to leveraging leadership competencies, and to targeting development approaches to high potentials and to all other leaders.

## Aligning to Results

- *Aligning to short-term results.* What are the most critical short-term results you need to consistently deliver each month or quarter to be effective? How well do your teams work together and execute to achieve those results? What is expected at each level of leadership in the organization to make sure that you continue to drive consistent results for your stakeholders?
- *Aligning to long-term results.* What are the major long-term objectives you want to accomplish over the next three to five years? What are the biggest challenges that you will face in accomplishing those objectives? Given where you are headed and the challenges you might face in getting there, what will your leaders need to be able to do differently to get you there? What is different about the type of leaders you will need in the future from what you currently have today in the organization?

## Assessing Your Leadership Pipeline

- *Levels of leadership.* Using the leadership pipeline model, how many levels of leadership really exist in your organization, and how many leaders (which ones) are at each level? What are the key differences between the levels, and with which passages between levels do your leaders have the most difficulty?
- *Impact on business results.* At which levels of leadership are you seeing the greatest challenges in execution today, given the responsibilities of each level? In looking at your longer-term goals, where will the biggest leadership mindset shifts need to occur in the coming years, and how confident are you that your current leaders can keep up?
- *Impact on succession planning.* Do you have the right number and type of successors at each level? At which levels are you strongest, and where are the talent gaps? In what functional areas and at what levels should you be targeting recruiting to bring in more high potentials, and where can you develop leadership talent internally?
- *Impact on leadership development.* How well do you develop each level of leadership to meet the unique demands of its role? What do you need to do to prepare people to take on more responsibility in the future? Are you balancing your development investments appropriately between broad-based development to improve performance today and building potential for the future?

## Leveraging Leadership Competencies

- *Your leadership competency model.* Do you have a well-understood and widely agreed-on definition of “what great looks like” at each level of leadership, based on actual behaviors for your leaders? Are your competencies leveraged across multiple talent processes, such as development, job definition, and recruiting? How well do your learning assets and processes map to the competencies, and where could you improve? Does your competency model clearly show the key shifts that need to be made when moving from level to level?
- *Assessing potential.* How do you define “potential” in your organization? How do you assess future potential of your leaders—what do you typically look for, beyond just good performance?

## Targeting Development and Optimizing Learning Approaches

- *High-potential development.* In looking at the current health of your leadership pipeline, what percentage of your leaders at each level do you need to identify as high potential? By level, what are the key transitional skills and mindset shifts you need them to make? In what ways can you incorporate your senior leaders in teaching, mentoring, and sponsoring your high potentials? What type of exposure would your senior leaders want to have to better understand and assess the talent pipeline at each level? In what ways can you use your high-potential programs to “re-recruit” your high potentials? What types of business projects or rotational assignments would help the organization develop your high potentials at the same time? Given the value of your high potentials in your leadership pipeline, what is your current investment in each person, and is it resourced properly?
- *Broad-based leadership development.* How well do you ramp up a new leader at each level of leadership, and how long does it typically take? What are the typical “derailers” or skill gaps that make it hard for a new leader to succeed at each level, and how can you address them early on? How could you adjust your development strategy to shorten the ramp-up time and improve the success rate of new leaders? What are you doing for your more seasoned leaders to help them be truly great in their roles, especially in areas like growing people and teams? How can you better assess skill gaps and tailor the learning experiences for your more seasoned leaders so they can continue to grow and improve the performance of their teams? How well do you prepare your seasoned leaders for their next role? What types of quick-hit, on-demand learning assets could you buy or create so your leaders can be better equipped to deal with day-to-day leadership challenges? What types of technology platforms and learning strategies could you employ to reach more leaders more effectively than you do today?

## Conclusion

As the workplace, the labor market, and learning technologies continue to change, talent management professionals will continue to adapt and reinvent the field of leadership development. With a solid leadership development strategy grounded in the enterprise, talent management professionals will be well equipped to respond to changes and even create a strategic advantage for the enterprise they serve. Hopefully, the approaches covered in this chapter will help you build or optimize the overall strategy or framework you use to develop leaders to make your organization stronger, both today and well into the future.



## About the Author

Larry Clark, vice president of talent and technology development for Comcast Cable, leads the leadership and capability development agenda for its field and headquarters operations. In addition, he is responsible for the professional and technical development for Comcast's technology groups. He has also been responsible for directing Comcast's talent management and succession planning efforts. Before joining Comcast, he spent 12 years at Microsoft in learning, organizational development, and talent management for its global field organization. Earlier in his career, he spent several years in organizational development, consulting across multiple industries in the areas of training, total quality management, high-performance work teams, and strategic process management.

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 Chapter 20

## Talent Managers as Change Agents

*Holly Burkett*

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The speed and complexity of change is racking the modern workplace, and leaders face critical challenges keeping up and guiding the way forward. This chapter provides key strategies for developing agile, change-capable leaders, with a focus on talent development. In this chapter, you will learn about:

- drivers for change-capable leadership
- characteristics of a change-capable leader
- how talent managers can add value as strategic change agents
- best practices for building leaders' change-capability across the organization.

*"If the rate of change on the outside exceeds the rate of change on the inside, the end is near."*

—Jack Welch

## Change Capability as a Talent Management Imperative

Change is interwoven in every organization's DNA and plays into everything that leaders, talent managers, and employees do, regardless of hierarchy or rank. Organizations can no longer afford to think about change as something separate from everything else they do. They have to be "change capable"—all the time.

And yet, many of today's organizations don't handle change well, and they're having trouble navigating a new "normal" of fast-paced, dynamic change related to advancing technologies, skill shortages, economic flux, competitive pressures, the global competition for talent, and demographic shifts. To respond, talent managers need to rethink how they develop change-capable leaders and prioritize change capabilities. More than ever before, organizations need leaders who can anticipate and react to the nature and speed of change; act decisively without always having clear direction; navigate through complexity; and maintain effectiveness despite constant surprises.

Consider Cemex, a Mexican company that has evolved from a small firm in an emerging market, to a dominant global competitor during the last 20 years. Its success is closely tied to industry-leading operational effectiveness, sophisticated knowledge sharing, long-term customer and community relationships, construction-oriented innovation, and sustainability initiatives that it has built over time. As Lorenzo Zambrano, the company's CEO from 1985 until he passed away at the age of 70 in May 2014, explained in his 2004 annual letter to shareholders: "We do not see volatility as an occasional, random element added to the cost of doing business in an interconnected global marketplace. We plan for volatility. We prepare for it. We have learned how to profit from it."

How does your organization compare? Do you have enough change-capable leaders to stay ahead of the curve—to plan for, prepare, and even profit from current and future change demands?

### Definitions

*Change capacity:* The ability of individuals and organizations to accommodate new change demands (as in the capacity of a container to accept water).

*Change capability:* A feature, ability, or competence that can be developed or improved. Organizational change capabilities represent the collective skills, abilities, and expertise of individuals. They are what turn know-how into action and results.

*Change agent:* A person who acts as a catalyst for change. In broad terms, change agents help sustain the organization's current performance and enable its future performance by empowering people to work effectively as they plan, implement, and experience change and by increasing people's ability to manage future change (Ulrich 2015).

*Change management:* Focuses on the transactional actions, tools, and techniques

needed to control, facilitate, and administer a change process, typically in a series of steps. Concerned with order, timeliness, and budgets. Emphasizes individuals' need to adapt to change.

*Change leadership:* Focuses on the transformational actions, skills, attributes, and mindsets needed to empower, inspire, and innovate during a change (or series of change processes), typically on a large scale. Concerned with communicating a compelling vision of a new future, building trust, collaborating, and tolerating risk and ambiguity. Emphasizes individuals' need to create change.

## Characteristics of a Change Leader

Of course, there is no one-size-fits-all profile for a leader, much less for a change-capable leader. But it helps to have a shared frame of reference during conversations with leaders about building change-capable talent: a change effective leader must demonstrate both the right capabilities and the right disposition to be change capable.

[Exhibit 20-1](#) highlights common characteristics used to assess and develop effective change leaders.

Exhibit 20-1. Common Characteristics of a Change-Capable Leader

Characteristic	Definition
Emotional intelligence	The awareness of their emotional makeup; the willingness and ability to understand the varied emotional responses that people may have to change (fear, resentment, excitement); the know-how to help others deal with their reactions in a positive way.
Empathy	The willingness and ability to fully appreciate another person's experience of change and to not attach a value judgment to it.
Curiosity	The willingness and ability to probe for understanding and meaning.
Flexibility	The willingness and ability to modify one's style and approach based on situation, context, and the needs of the team, group, and organization.
Change adaptability	The ability to tolerate ambiguity, accept new ideas, and show interest in new experiences.
Coping skills	The ability to be positive and work productively during pressure situations or setbacks, and to handle criticism while keeping emotions in check.
Teachability	The willingness and ability to learn from every situation.
Comfort with risk	The willingness and ability to try new things and balance risk and reward.

Managing change, demonstrating adaptability, and enabling teams to navigate change are generally considered essential leadership competencies. Yet talent managers should also define the distinct leader attributes needed to drive change and create competitive advantage in their particular organization. It's also important not to overlook the role and capabilities needed by frontline managers in making change happen.

Identifying individuals with these competencies, attributes, and mindsets—and nurturing their unique potential—is essential to change leadership success and to the role of talent managers as strategic change agents. While change agents typically wear many different hats, the most common change agent roles for today's talent managers include those of change architect, change strategist, and change catalyst ([Exhibit 20-2](#)).

Exhibit 20-2. Change Agent Roles for the Talent Manager

### Enabling Tasks

- Define essential change capabilities.
- Assess capability needs and gaps.
- Enhance development programs, processes (customize, contextualize).
- Build capabilities (individual, collective).
- Align supporting infrastructures.
- Design enabling mechanisms.
- Shape a change-ready culture.

### Change Architect



### Enabling Tasks

- Align capabilities to strategic priorities.
- Define compelling vision of new future.
- Analyze strategic readiness issues.
- Assess risks, including change fatigue.
- Create planned strategies with a long-term focus.
- Define success measures.
- Monitor and measure change impact.

### Change Strategist



### Enabling Tasks

- Engage, mobilize, and champion change.
- Mentor, coach, and support change leaders.
- Cascade concurrent change efforts.
- Adapt and accelerate change processes.
- Sustain change progress.
- Leverage change capability at all levels.
- Continuously improve and innovate capabilities.

### Change Catalyst



## Talent Manager as Change Architect

Talent managers face a pressing need to develop change-capable leaders. What can talent managers do to help leaders gain the competence and confidence needed to empower change in these turbulent times? What enabling strategies and tactics have proved effective?

First and foremost, talent managers must maintain a balanced and holistic view. They should not only assess and develop the change capabilities within an existing talent pool. They should also integrate desired characteristics and change-capable competencies into the entire suite of talent management functions: talent acquisition, performance and career management, workforce planning, learning and development (especially leadership development), succession management, and engagement and retention.

## Assess Capability Needs and Gaps

Effectively integrating change capabilities into talent management processes starts with a solid understanding of the internal and external business environment, including such factors as business strategy and future trends. When assessing whether your organization has the right capabilities to meet business needs, key questions include:

- What are the most critical business, strategic, and capability needs for leaders during the next three to five years? What is the gap between current and desired capabilities?
- What is the business context in which capabilities (including change capabilities) will be used? How will the context evolve over time?
- How can elements of change capability be aligned with current talent management strategies and frameworks?
- What competency tools and processes can help define the profile of a change-capable leader?
- How will you measure your progress in growing individual and organizational change capability? How will you know if you've successfully closed capability gaps?

## Align Change Capability With Talent Management Strategy

Once critical capability needs have been identified, they should be fully integrated into your talent management strategy (vision, goals, strategic priorities, competency frameworks, metrics, and measures) and core talent management functions guiding the attraction, development, management, and retention of leaders.

For example, prioritizing and aligning change capability with recruitment processes might include hiring leaders who demonstrate change adaptability and resiliency. Screening for adaptability can help reduce the potential cost of replacing a bad hire. Consider that estimates from the Society for Human Resource Management (2014) say it costs five times (or more) of a person's annual salary to replace a bad hire. Screening applicants for fit in terms of change adaptability and resiliency also improves both engagement and retention. Change capability, then, should be assessed not just on current needs but also on future potential.

### Best Practice

Since it's tough to determine a candidate's change responsiveness by asking, "How adaptable are you?" many organizations use prescreen assessments at the front end of the hiring process. Blending predictive analytics with these prescreen assessments enables talent managers to determine if potential leaders have the characteristics, including change adaptability, that make them a good fit. Because prescreen assessments are done before the interview phase, they can also be less expensive than waiting to ask that adaptability question in person. And, in the end, adaptable employees are more likely to innovate and help their organizations respond to new opportunities.

In general, talent, and the organizational needs for talent, should be reevaluated regularly so that talent managers can identify and address the impact of dynamic change on talent needs.

## Continuously Improve Leadership Development Processes

Many change initiatives flounder because leaders lack the skills to initiate and sustain change. CEOs across the globe have identified managing complexity, leading change, and having an entrepreneurial mindset as critical skills for successful leaders. CEOs have also determined that those skills are among their biggest skill gaps and have expressed a desire for more development here (Sinar and others 2014).

However, despite heightened investments in leadership development programs, studies show that the structure and effectiveness of most leadership development initiatives continue to yield disappointing results (Gurdjian, Halbeisen, and Lane 2014). Yet leveraging leadership development programs and processes remains a key strategy for building change capability at the mid- and senior leadership level. Developing the change capability of high potentials who are frontline leaders or individual contributors also increases access to future talent. For best results, talent managers need to target the right mix of skills, use the right blend of methods, leverage change capability to create a change-ready culture, and measure and monitor the impact of leadership development.

### *Target the Right Mix of Skills*

The world continues to change so fast, with so much complexity, that some knowledge and experience once critical to an organization is now obsolete. Thus organizations need to invest in innovation and creativity in order to prepare for the complex, changing workplace. But, according to the *Global Leadership Forecast 2011*, only one in three organizations currently focuses on developing their leaders' ability to foster innovation and creativity, despite these two capabilities being critical for driving organizational change initiatives around operational excellence and performance (Mitchell, Ray, and van Ark 2014). Periodically updating targeted skill sets ensures that change capabilities are in sync with evolving business needs and are properly aligned with competency profiles for strategic leaders. Skill development must also be customized to fit the unique capabilities required of specific change roles and responsibilities, including:

- change sponsors (those who lead change strategy)
- change managers (those who manage the change plan)
- change agents (those who build commitment and advocate change efforts).

### *Use the Right Blend of Methods*

Best practices in leadership development recognize that learning doesn't occur just in the classroom. Many learning methods have proved effective in testing the ability of leaders or aspiring leaders to respond to change and forge effective capabilities ([Exhibit 20-3](#)). Best practices include the combined use of self-reflection exercises, coaching, mentoring, action learning, and game-oriented simulations in which participants are placed in real-world

scenarios and roles where they must lead change. Providing the proper context for the use of learned knowledge and skills is a critical component of a successful leadership development initiative because a leader may be effective in one change situation but ineffective in another.

In general, leadership development can increase an organization's odds of growing leaders' change capability by:

- ensuring the proper blend of formal learning, learning from others, and experiential learning
- putting a stronger emphasis on programs that foster creativity and innovation
- matching specific change skills to real-world demands for each leadership level (frontline, mid-level, senior level)
- expecting leaders to examine their own personal mindsets toward change
- designing powerful learning journeys, rather than traditional learning events
- focusing on growing collective change capabilities across the organization.

Exhibit 20-3. Most Effective Leadership Development Methods According to Leaders

Method	%
Developmental assignments	70
Formal workshops, courses, or seminars	60
Coaching received from current manager	52
Coaching from external coaches and mentors	43
Coaching from internal coaches and mentors (other than immediate managers)	40

Organizations can benefit from investing in leaders' development in many ways. Higher quality leadership development programs are 7.4 times more likely to have leaders who are highly engaged and inclined to stay with the organization, which, in turn, affects their engagement. Organizations with highly rated leadership development programs are 8.8 times more likely to have high leadership quality and bench strength compared with those organizations with poorly rated programs. And organizations that focus on developing leaders' change capability, and whose leaders then become more effective, are three times more likely to rank in the top 20 percent for financial performance (Mitchell, Ray, and van Ark 2014).

### *Leverage Change Capability to Create a Change-Ready Culture*

Ongoing, highly adaptive change capability is about more than stand-alone, isolated leadership development programs. Change capability is about nurturing change responsiveness and innovation throughout an entire organization so that it resides within the organization's culture, systems, and practices (Smallwood and Ulrich 2004). It is best

managed as both a project and an evolutionary process. To that end, effective change architects must not only rewire talent management infrastructures, processes, and roles—but also the cultural aspects of their organization. A Katzenbach Center survey shows that 84 percent of executives described a supportive culture as critical to the success of change management (Aguirre, von Post, and Alpern 2013).

### *Measure and Monitor the Impact of Leadership Development*

Investing in leadership development has been shown to pay off, but many talent managers and chief learning officers continue to struggle with defining the business value of learning expenses. CEOs and business leaders want metrics that show how investments in leadership development relate to engagement, productivity, speed to proficiency, customer satisfaction, or improved sales. Yet findings suggest that as many as three in four companies do not formally measure leadership development or attempt to link program success to important performance or business impact measures. Of those that do measure program effectiveness, a majority reports using general output data—courses, participants, hours of training—to justify training impact (Anderson 2015).

While measuring the impact of development efforts can be difficult because results are often not instantaneous, talent managers need to raise the bar on measuring leadership development and follow the example of many exemplar organizations. For instance, Pfizer developed three primary talent management objectives, with corresponding drivers and metrics: strengthen the leadership team and pipeline, increase the robustness of talent management processes, and develop talent mindset and values (ADP 2011). Establishing these three clear objectives enabled Pfizer to measure how its leadership development program was performing.

## Talent Manager as Change Strategist

Today's executives have identified critical gaps in competencies related to thinking strategically, leading change, creating a vision, and rallying others around a vision (DDI 2015), and they are turning to talent managers for guidance and development support. From a strategic standpoint, change-capable leaders need a realistic assessment of the broader corporate culture to ensure that their change strategy properly addresses all that can help—or hurt—the execution of a change effort, such as employees' readiness to change. Senior management often has trouble getting a true read on the organization's culture because of distorted views from the top—where executive leaders receive information only after it has been filtered through multiple layers of management.

Talent managers can add value as an effective change strategist and business partner by helping leaders assess change readiness, identify the nature of change, define change capacity as a strategic issue, assess risks of change fatigue, and measure change impact.

## Help Leaders Assess Change Readiness

Talent managers can inform change strategy and enable its execution by helping senior leaders stay in touch with the day-to-day issues of the workforce. They can also help leaders define how structural, cultural, and human elements influence change readiness.

Structural elements influence how the organization's internal systems, processes, and infrastructure will be leveraged to operationalize the change strategy. Leaders need to ensure that these structural processes remain adaptive, resilient, and responsive to changing needs. Talent managers can advise leaders to replace archaic systems that are poorly aligned, too complicated, or too isolated with technology-enabled, adaptive structures.

Cultural elements represent organizational norms and values in such areas as communicating, making decisions, measuring success, and rewarding achievement. Cultural integration is a critical success factor with any transformational change effort. According to Lou Gerstner, former chief executive of IBM, "culture is everything," a motto he leveraged while leading the company's historically successful business transformation.

And many executives are concerned with their organizations' ability to respond to these cultural elements. In a global survey of 674 executives, 48 percent reported that they do not believe their culture is adaptive enough to respond positively to change, and 44 percent aren't sure their workforces are prepared to adapt to and manage change through periods of economic uncertainty (ASTD and i4cp 2014). Talent managers can help leaders facilitate cultural integration through enabling mechanisms (employee networks, performance management systems) that support the new culture.

Some organizations describe using a change academy approach as an enabling mechanism for capability development. Change academies educate executives, managers, and change advocates in how to lead and manage change projects using a consistent, field-tested, and standardized approach instead of ad hoc, disjointed methods. Change academies have been shown to increase readiness and improve productivity, proficiency, and engagement during change.

Human elements, at the heart of successful change, are often the most challenging to manage. Talent managers can help leaders successfully mobilize the organization around new change demands by emphasizing that:

- Motivation increases when employees are confident they can meet change expectations.
- Resistance may be more related to performance anxiety than negativity.
- Change expectations should allow for a learning curve after change is introduced.
- Additional resource support provided right after a change can minimize performance

declines and ramp up proficiency.

- The more individuals are involved in the change process, the more engaged they will be.
- Change volatility saps motivation, erodes confidence, and depletes goodwill.

Talent managers can add value as a strategic change agent and business partner by emphasizing that structural, cultural, and human elements need to be aligned and that alignment requires time to be sustainable.

Marcus Buckingham equates this kind of leadership savvy to the difference between checkers and chess. In checkers the pieces all move the same way, whereas in chess all the pieces move differently. As in the game of chess, the success of any significant change movement is directly related to how well the component pieces, downstream impacts, and cascading sub-changes are addressed and managed. Through a consultative role, talent managers can help educate leaders about how each of the above change pieces fits with current organizational systems and processes—and how each piece is moving and contributing toward the overall game plan.

#### Important Tip

When it comes to helping leaders manage change and transition (mergers and acquisitions, reorganizations, new products, changing markets), many talent managers focus primarily on teaching structural elements of change: making the business case for the change, mapping out a blueprint for how the change will happen, developing the communication plan, and so on. But any plan for managing organizational change that focuses only on these elements, while ignoring the necessary cultural and human elements, is simply not enough.

## Help Leaders Identify the Nature of Change

Not all change is created equal. Common types of change include developmental (improving skills and processes), transitional (putting new designs in place), and transformational (navigating restructures, mergers, acquisitions, and new systems). Largely unpredictable and messy, transformational change requires change readiness and continuous adaptability across all organizational levels.

Traditional, step-by-step change management approaches work best with developmental or transitional changes that have low to moderate organizational impact. However, prevailing, one-size-fits-all change management approaches won't suffice amid complex, transformational changes. Instead, transformational changes are best managed with an iterative process of staged changes, not with a single isolated event with a distinct beginning, middle, and end. By sharing knowledge and expertise about the nature of change, talent managers can build their credibility and help ensure that leaders match their change strategy to the type of change demands at play.

## Help Leaders Define Change Capacity as a Strategic Readiness Issue

An integrated, well-planned change strategy is meaningless if an organization lacks the capacity to execute it. In reality, capacity is finite; people can only do so much and there are only so many people. Capacity becomes a strategic issue when leaders demand more capacity than there actually is or can be, or when they add major change on top of normal operating requirements but don't take anything off the plate to allow for the extra burdens. In his book *How the Mighty Fall* (2009), Jim Collins warned about the risk of frenetic, undisciplined change that goes beyond what leaders or companies can manage.

As change strategists, talent managers can help leaders address capacity issues that may hinder efforts to rally others around a vision of change. Organizations should assess the number of major change initiatives currently taking place, and which ones compete for budget, time, and resources. They should estimate levels of effort for each change activity. And they should anticipate the effort required for new changes under consideration to determine the organization's capacity to take them on.

Remember, talent managers need to make sure that leaders are in tune with the realities of any and all change efforts, including workload, time commitments, and non-value-added work.

## Help Leaders Assess Change Fatigue

Change fatigue, one of the biggest barriers to change readiness, sets in when people feel pressured to make too many transitions at once or when change initiatives have been poorly thought through, rolled out too fast, or put in place without adequate preparation. Multiple, change-after-change demands have become standard for most organizations, and studies show that demands are on the rise. For instance, a large proportion (45 percent) of respondents in a 2014 survey by ASTD and i4cp said that the number of changes their organizations encounter in a year is more now than it was just two years ago. In essence, many people in today's organizations spend their time underwater, gasping for breath between one change and the next (Herold and Fedor 2008). Change fatigue drains support no matter how well planned or executed the change may be and no matter how motivated and capable the workforce.

As change strategists, talent managers can sensitize leaders to the impact of constant churn and change on employees' motivation and their overall capacity to achieve performance results. Best practices for managing change turbulence include adopting a vetting process where proposals for significant change are subjected to rigorous "war room" screenings by key stakeholders and then prioritized by their centrality to business strategy, financial impact, and probability of success.

## Help Leaders Measure Change Impact

Many organizations involved in transformation efforts declare victory too early and fail to measure success before moving on. Failing to assess what worked and what didn't deprives leaders of valuable information about how to adjust next steps and support the change process throughout its life cycle. Because many leaders envision change as a driver of revenue growth, innovation, cost savings, or talent development, talent managers help measure the efficiency, effectiveness, and outcomes of change efforts so that decision makers have credible data for determining whether to continue the investment.

## Talent Manager as Change Catalyst

Effective change leaders cannot create participation and commitment to change by decree. To develop change capability, talent managers need to catalyze the hearts and minds of multiple stakeholder groups through open, collaborative, and iterative conversations about emerging opportunities and compelling new futures. And creating change commitment and growing organizational change capability is not a one-and-done event. Instead, change leaders must develop new ways to deepen a sense of shared ownership in both the day-to-day implementation of change and the outcomes of change efforts.

As change catalysts, talent managers can use coaching opportunities, programs, and processes to elevate leaders' change performance and productivity—and level their expectations of change. Talent managers can help leaders plan and execute change strategies, anticipate and manage risks of change, and continuously improve their change capability.

## Mentor, Coach, and Support Change Leaders

When striving to develop change-capable leaders, organizations sometimes fail to invest enough time or resources in coaching and tracking leaders' long-term progress. From a coaching perspective, many leaders have trouble balancing operational and strategic leadership roles when attempting to drive change. Both managing and leading competencies are important to strategic change leadership because creating the inspiration for change also means ensuring that the proper management practices are in place to support it.

However, leaders tend to be least proficient in the interaction skills required to lead change. Many leaders have actually expressed a desire to spend more time and effort on leading through relationship building and interaction with others (Mitchell, Ray, and van Ark 2014). As change catalysts, talent managers can coach and mentor change leaders in the key skills needed to foster collaboration, build trust, and tap into "the wisdom of crowds" for wholesale commitment to change. While there is no best approach to building leaders' change capabilities through coaching, an effective change coach or mentor should:

- Understand the complexities of change.
- Show the business acumen to analyze the context of change.
- Demonstrate the ability to assess, manage, and take risks.
- Be sensitive to the impact of change turbulence.
- Know how to develop and reward change capability.
- Foster adaptability and responsiveness.

## Help Leaders Plan and Execute Change Strategies

Prevailing wisdom, backed by an abundance of research, shows that change initiatives fail at an alarming rate of 70 percent. The costs are high when change efforts go wrong—in lost opportunity, wasted resources, and lowered morale. When an initiative is launched with great fanfare, only to fizzle out, cynicism sets in among employees who have endured the upheaval and added work pressures for another fleeting flavor-of-the-month change. Planning and driving execution properly is especially critical because most change initiatives are so far-reaching, frequent, overlapping, and open-ended that they can no longer be successfully managed as discrete, isolated events.

As change catalysts, talent managers can help leaders successfully plan and execute change strategies by ensuring that they:

- Communicate a compelling vision about a new future (make both a rational and an emotional case).
- Develop a change strategy that includes milestones, timelines, and success measures.
- Encourage appropriate, meaningful involvement before, during, and after a change process (engage, engage, engage).
- Provide resources, remove barriers, and act as change advocates.
- Deliver information, direction, and focus throughout a change effort.
- Reward progress and quick wins toward defined success measures.
- Adjust, adapt, and accelerate processes, policies, and practices to support change.
- Create accountability mechanisms that show leadership is serious about the effort.
- Model the behaviors expected.
- Follow up and follow through to ensure ongoing attention to a change effort.

Following up and following through are often underestimated as critical success factors in change implementation. Many efforts fail because leaders jump too quickly from one change effort to the next or because they try to make too many changes at once and fail to cascade them effectively through the organization (Moran and Blauth 2008).

## Help Leaders Anticipate and Manage Risks of Change

Change is rarely smooth. Executives need information about risks to determine whether to continue or alter the course of a change project and whether to continue allocating resources toward its progress. As change catalysts, talent managers can support leaders' strategic change capabilities by properly helping to manage risks as they occur, implementing better risk controls, and practicing due diligence.

Risk assessment typically involves ranking a risk based on the severity of its consequence and the probability of its occurrence. Critical risks that could derail change goals should be given maximum priority, and risk response strategies should be formulated to deal with them.

## Help Level Leaders' Expectations of Change

Change demands physical, emotional, and cognitive resources, and as such it should be prioritized like any other organizational asset. To prioritize change tasks and resources, talent managers can help leaders assess the capacity gaps among the key jobs, employees, and business units targeted by change:

- High-priority jobs may include those that are mission critical, hard to fill, highly paid, revenue generating, close to the customer, or filled by executive search.
- High-priority employees may include those who are high performers, innovators, leaders or potential successors, hard-to-replace individuals, revenue generators, diverse employees, and other valued employees who may be at risk of leaving.
- High-priority business units may include those that represent high profit and margin, high growth, or high criticality to business performance.

## Help Leaders Continuously Improve Change Capability

Strategic change leadership drives change by creating an environment where it can happen. A pro-change environment enables an organization and its workforce to be more agile and responsive to change, to be more innovative, to think critically in complex or ambiguous situations, and to continuously learn and improve. It also promotes a culture defined by flexibility, empowerment, and connectivity, all key factors of employee engagement.

Consider this example of a pro-change environment. An energy company with operations in 47 states shifted from viewing change as a series of isolated, stand-alone events to viewing it and employees' change capability as a constant strategic imperative. To build internal change competency, the company embedded more than 50 change management tools and templates into existing Six Sigma frameworks. And it provided enterprise-wide training in problem solving, process improvement, and change management concepts, principles, tools, and skills, which were immediately applied to projects. A change network of 60–200 advocates (depending on the project) helped integrate change capabilities and transform the way critical knowledge and skill was transferred among employees.

As the speed of change increases and the market for high-skill talent tightens, talent managers must help leaders address growing capability gaps by doing more to develop talent internally. Developing a network of change-ready employees across the entire organization will not only meet capability challenges, but it will also accelerate business performance, strengthening the link between how the organization manages change and how well the organization performs (ASTD and i4cp 2014).

## Final Thoughts

The future belongs to change-capable leaders and agile organizations. Whether your organization is targeting a new growth agenda, refocusing its strategic priorities, or building its leadership pipeline, the ability to navigate change is the ultimate competitive advantage in today's global market. The pressures for change are real, change is here to stay, and the lackluster state of change leadership today shows that the world needs better change leaders. Executives are looking to talent managers for help in creating, leading, and sustaining change strategies.

Talent managers have a responsibility to heed the call by helping leaders gain the confidence, capability, and insights needed to survive and thrive amid disruptive business forces and trends. The good news is that talent managers have great advantages and great opportunities in this area because, ultimately, all strategy is executed by people—people who need to be supported, trained, and equipped to fulfill the strategic vision of change.

As talent managers, we also have a responsibility to fully embrace our strategic change agent roles. This means we must continuously monitor our own aversion to change so that we can best support the change strategies, processes, and practices needed to help leaders drive high performance and operational excellence. Only by transforming our own skills and capabilities can we deliver on the promise and opportunity of dynamic change.

To identify strengths and opportunities for improvement as a change agent, complete the self-assessment in [Exhibit 20-4](#), both as an individual and with your team. Use the results to enhance your talent management strategies for building leaders' change capability and to improve your value as a strategic change agent.

### Exhibit 20-4. Strategic Change Agent: A Self-Assessment

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**Instructions:** The following self-assessment represents change agent strategies or tactics that enable the development of leaders' change capability. Use this assessment to identify areas of strength and opportunities for improvement in your own talent management focus. Next, consider how members of your talent management or learning team, your business partners, or your stakeholders might respond. Based on this review, identify priority areas for process improvement or action planning.

1 = Strongly Disagree   2 = Disagree   3 = Neither Agree nor Disagree   4 = Agree   5 = Strongly Agree

Description	Rating (1–5)
1. We continually analyze the business environment for current and future change demands, threats, and opportunities.	
2. We routinely assess our talent pool for capability needs and gaps.	
3. We align change-capability needs with a holistic talent management strategy.	
4. We engage leaders in defining the context in which change capabilities will be used (by frontline, mid-level, and senior management)	
5. We continually enhance leadership development programs and processes to drive strategic change capability.	
6. We have credibility as strategic change agents. Leaders seek our expertise about the nature of change and best practices in change leadership and management.	
7. We partner with senior leaders in defining change capacity as a strategic readiness issue.	
8. We help leaders anticipate and manage risks associated with successful change implementation, including the risk of change fatigue.	
9. We use a variety of formal and informal approaches to build change capability across all organizational levels.	
10. We routinely monitor and measure the impact of change initiatives to determine if they have met strategic objectives.	



## About the Author

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# Action Learning: Simultaneous Development and Succession Planning

*Noel M. Tichy and Christopher DeRose*

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Selecting an individual for a leadership position can be a confounding task, particularly at an organization's most senior levels. It is necessarily a subjective judgment based on many variables, most of which are hard to quantify. This task is made all the tougher because there is rarely the perfect candidate. The candidates are sure to have their own unique strengths, notable flaws, and underdeveloped competencies.

To have the right candidates in place when leaders retire or move on, organizations implement succession processes. These processes rely on multiple sources of data such as performance history, judgment track record, accomplishment analysis, and 360-degree feedback. But many organizations underestimate an invaluable tool to ensure smooth successions, a tool often thought to be only for training—an action learning development program.

Action learning is a development methodology formed by Reginald Revans based in part on his training as a physicist at the University of Cambridge (with a brief stay at the University of Michigan) and his educational work at the United Kingdom's National Coal Board.

## Action Learning

Reginald Revans (1982) defines action learning as “a means of development, intellectual, emotional or physical that requires its subjects, through responsible involvement in some real, complex and stressful problem, to achieve intended change.”

Over the years, the methodology has been modified for both better and worse. Its corporate use gained traction in the United States when it became the standard methodology for General Electric's corporate training center, Crotonville (known today as the John F. Welch Leadership Center). Throwing out traditional lectures and case studies, GE instead favored having its executives work on the real-world problems facing its business units in diverse industries. And since, GE has developed thousands of leaders using action learning.

Participation in the top two action learning programs has become a rite of passage for further promotion and an important data point in a succession pipeline that has produced CEOs for GE and for many other notable organizations.

## Action Learning: More Than Development

Action learning is a powerful assessment tool because it places people in uncomfortable and unfamiliar situations, forcing them to work with others to resolve a live challenge rather than a hypothetical circumstance or case study borrowed from another organization. Participants display their capacity in critical areas such as learning rate, teamwork, problem solving, vision, analysis, networking, and change management. Because action learning can be devised to create a microcosm of the challenges that executives will face—or need to face to foster their development—it can be used to test, assess, and develop a participant's readiness for a new job and greater responsibility.

This chapter outlines the methodology that organizations can adopt to ensure simultaneous development and succession planning. The methodology is a refinement and evolution over more than 25 years since Noel Tichy popularized action learning through his work with GE. This chapter also explains many of the pitfalls with ineffective programs that are labeled *action learning* but sorely lack the needed structure to be successful.

Before moving on, let's address a common question about training and assessment: shouldn't training be safe and segregated from assessment? The answer is an emphatic "no." Despite their best intentions, executives will make judgments during training; executives who say they can completely separate the two aren't being honest with themselves or those being assessed. Even if observations are not formally catalogued, executives who participate form impressions they take into the succession process. Far more constructive is to engage with executives when they participate in development programs, particularly action learning, to share and synthesize observations rather than to let them come to their own haphazard conclusions based on partial data.

More important, leaders, and particularly those who aspire to be CEOs and senior executives, are constantly being assessed by multiple constituents as they learn, grow, and make mistakes in real life. Development should prepare people for the pressures and realities that they will face. Informing participants and making them aware that they are performing on stage prepares them for the difficulties of the largest organizational roles, which are often played out in public forums in most major corporations today.

Finally, the data available from well-constructed action learning development are too precious not to be used in the arduous yet critical task of selecting an organization's leaders. Action learning is a treasure trove of data about an individual that can be used to foster further development and inspire reflection on each person's career trajectory.

## Action Learning for Succession

When used effectively, action learning can solve an organization's biggest challenges, foster individual development, and provide invaluable insight for assessment and succession planning in a compressed timeframe. To accomplish all three, organizations need:

- *Real projects, real priorities.* People must be assigned to real business problems. They should not be immediate crisis issues, but the problems should be strategic business challenges that require resolution for the continuing success and growth of the organization. Example problems include growing the business in a new region, accelerating the application of new technologies, or transforming internal processes to create new capabilities. The CEO and senior team should select problems of direct interest, not of passing curiosity.
- *Nonexpert teams.* Teams of six to eight executives should mostly be composed of nonexperts who do not deal with the project issues on a daily basis. As Revans (1982) found, nonexperts are much more likely to offer breakthroughs or unconventional solutions. Because these teams work together for about four to six months—long enough to develop a deeper understanding of the issue—the nonexperts are instrumental for catalyzing learning and new problem-solving routines among those who may have more experience.
- *Support structures for learning and process effectiveness.* Although action learning advocates a trial-and-error approach to learning, it is most effective when organizations have strong support structures. While individuals are to challenge themselves and teams are to independently resolve business or interpersonal issues, the environment should not be one of sink or swim. Executives should support the teams but not provide the answers or direct action; they should act as coaches, checking periodically with teams to ensure that the teams are making progress, working effectively, and challenging themselves in new ways. When teams or individuals get off track and do not demonstrate the ability to self-correct, executives may intervene to help put teams back on a path toward meeting their collective and individual objectives.
- *Transparent assessment processes.* Participants should know from the first day that assessment is a component of the program. Executives should end the program with an exhaustive review of each participant. Throughout the program, executives should have at least two face-to-face dialogues with each participant to discuss strengths, career aspirations, and development needs. At the final session, senior executives and executive coaches share the data to rate participants' performance and leadership behavior as low, medium, or high. After the final session, an executive shares the assessment with the participant and discusses future career opportunities. ([Exhibit 21-1](#) provides a sample rating chart for one team, and [Exhibit 21-2](#) provides sample coaching notes for one team member.)

Exhibit 21-1. Sample Nine-Cell Assessment at End of Action Learning Program

Performance	High			Melanie S. John B.
Medium	Mike L.	Tom G.	Eric T.	
Low				Mary W.

**Values and Leadership Behaviors**

## Defining Roles and Responsibilities

Developing an action learning platform that provides detailed insights about each participant for leadership development and succession planning and delivers solutions to some of the organization's biggest problems requires active involvement of senior executives and program staff. Organizations need a carefully orchestrated process in which all actors understand their important role.

For the program to truly inform succession at the top most levels, ownership for the overall process must rest with the CEO and senior executives. But the program should not exist only for the aggrandizement of the CEO's legacy or as a symbolic act to promote the organization's reputation for development. Instead, participants must be genuinely committed to their own growth, while teams must take responsibility for resolving issues with both their team process and project resolution. Additionally, program staff must aid the executives in providing a support structure. Program staff create the scaffolding by providing content expertise, process facilitation, and individual coaching that enables the teams to build toward their own success.

Here are some of the key responsibilities for CEOs and senior executives, participants, and program staff.

## CEOs and Senior Executives

CEOs and senior executives play an active, hands-on role during action learning while working with the teams. But rather than solving the problems or leading the teams themselves, they act as coaches and provide guidance based on their change leadership experience and intuitive decision-making models. These executives work with participants to see how they process information, how they assess the organization, how they develop change plans, how they mobilize constituents, and how effectively they lead themselves, their team, and leaders at all levels throughout the organization.

During the action learning program process, CEOs and senior executives select participants and projects that the participants will work on. They assist with coaching and assessing participants. And they provide developmental feedback and ensure execution.

*Preparation phase.* Identifying and growing candidates to replace the top team members requires the active involvement of the existing leadership team. Business unit leaders, in partnership with HR leaders, must carefully vet and determine the high potentials whose development will improve given the right training and on-the-job experience.

The timeframe for succession will vary within each organization, so CEOs and senior executives should assess whether participants are upwardly mobile within their specified timeframe—say, on the promotion path within three years and a potential successor for a top job within five to seven years. Ideally, the CEO and senior executives should identify the candidates for an action learning program through a succession process or, if not, each person’s submission should be discussed to ensure that there is clarity on the individual’s strengths, development needs, and perceived potential for advancement.

In addition to nominating participants, project ideas are generated directly by the CEO and senior executives. Participants are assigned to each project based in part on their development needs.

### Exhibit 21-2. Sample Coaching Notes for Mike L.

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Criteria	Notes
Observed strengths	<p>Performance: Mike made many contributions to defining the project scope, benchmarking our capabilities against competitors, and identifying gaps that we need to fill. His greatest contributions came in accelerating the team's work during Phase 1 of their project plan.</p> <p>Values and leadership behaviors: Mike is a diligent worker who maintains very high standards. He expected a great deal of himself and held the team to expectations of excellence. He repeatedly exhibited a commitment to learning, one of our core values.</p>
Observed development needs	<p>Performance: Mike contributed the most during Phase 1 when the team members worked independently. Although he participated actively in the later phases, he was less skillful at connecting solutions to individual gaps into a broader, coherent organizational strategy. Because Mike tends to lead through ideas, his leadership role diminished during Phases 2 and 3.</p> <p>Values and leadership behaviors: As Mike's role changed and as he felt his impact diminish, he noticeably withdrew from the team. This led to a period of relative isolation and frustration. When addressed by the team during one feedback exercise, Mike admitted his teamwork had not been effective and expressed a desire to change. In part due to his regular work responsibilities and in part due to his continuing emotional difficulty with the situation, Mike showed little improvement. After a one-on-one discussion with his team's executive sponsor, Mike's resolve to improve his ability to play the role of "follower" when he did not have all the answers visibly improved. Although Mike concluded the program much better, this remains his most important development area. Mike needs to display more than an intellectual understanding that, as a leader, he will not have all the answers but must rely on team members at times to drive success.</p>
Coaching and next steps	<p>Mike has spent most of his career as a team leader, first in research and then the last 15 years in operations. To reach his full potential, he needs to be placed in more situations where he is outlining an integrated strategic response rather than implementing discrete initiatives. More important, he needs to be in a role that requires mobilization of multiple constituents to lead change and assemble different perspectives into a leadership plan with buy-in that he did not solely create.</p> <p>As an executive team, we feel an assignment as the leader for the upcoming Technology 2.0 task force would be an excellent first step for Mike. He can leverage his technical background, and he will need to step outside his operations and assemble a team that can represent the multiple business units and product lines that will be affected by the change.</p> <p>Mike's career could progress several different ways. The most likely path at this point would be for Mike to assume the director role of operations strategy and quality en route to perhaps becoming the vice president of operations for our core business. Before Mike is prepared to oversee operations at the corporate level, he would also benefit from a geographic director position that would develop his capacity for getting ideas and formulating strategy by mobilizing others.</p>

*Program phase.* Senior executives are then assigned to act as a coach for each action learning team. During the first workshop, they will work with the teams to ensure that the project has been framed properly and is aligned with the overall business direction. By meeting with the teams on a semimonthly basis after the first and second workshops, the executive coaches can offer advice to their assigned team if they feel that the team is unable to resolve

issues or has failed to account for factors essential to the project's resolution. They also meet with each participant on two occasions to counsel on the participant's leadership development agenda and career plans. Throughout this process, however, executive coaches do not provide answers or explicit direction. Their role is to offer prompts that will provoke inquiry and further action by the team.

In the third, and final, workshop, the CEO and executives will be the decision makers. They determine which of the recommendations from each team will be adopted and who will be assigned follow-up, and they provide feedback to the team on the quality of the final work product.

*Post-program phase.* After the program, each executive will provide individual feedback to the participants. Each participant will understand conclusions made about her performance throughout the process and how leadership behaviors were displayed. Through dialogue the executive coach helps the participant process the feedback and consider next steps for her own development, including assignment to special projects, job rotation, or additional developmental experiences. These next steps are communicated back to the HR leaders and integrated with the overall succession planning process ([Exhibit 21-3](#)).

## Participants

Once they've been selected by the CEO and senior executives, participants have to prepare for the program in both their work and personal lives. During the program, they need to focus on self-development, while delivering results. And when they return to their normal work assignment, they need to find new ways to continue their growth.

*Preparation phase.* Before the program, participants need to prepare themselves, their work teams, and their families in addition to completing some preparatory reading. Participants are asked to reflect on their development needs and career goals, followed by a discussion with their direct manager. Participants also discuss with their manager and work team how they will handle the added time commitment, preparing for more delegation and empowerment of their work teams (skills they will be taught during the first workshop). Participants must also work with their families or friends to establish realistic expectations for how the impact of added responsibilities will be managed. Juggling the demands of multiple priorities alongside family and personal commitments is stressful but also a realistic preview of what life is like at the top of most corporations.

### Exhibit 21-3. Integrating Action Learning With Succession Planning

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1. Action learning candidate preparation. Participants receive 360-degree feedback and manager coaching while self-reflecting on their development needs.
2. Program development and new experiences. Participants revise their development plans to ensure growth through new experiences and challenge themselves to exercise new behaviors. They receive feedback regularly from team members, program staff, and executives.
3. Post-program coaching and development planning. Participants receive feedback from the executive team and put in place plans for continuing development. Some may change jobs or receive special assignments. All data are shared with and coordinated through HR as part of the succession planning process.
4. Succession slate. The succession slate established through the organization's routine succession planning process should identify high potentials for action learning development.

*Program phase.* The project team members will commit an additional 25–50 percent of their time each week while maintaining their regular responsibilities and workloads. The added work requires that participants grow the capability of their direct reports to cover responsibilities in their absence.

Participants also focus on delivering results while demonstrating their learning capacity. They are encouraged to learn new skills and practice new behaviors outside their comfort zone—for example, someone with a finance background will be encouraged to contribute in marketing. And participants with the requisite skills act as coaches to other team members, thus enhancing their teaching capability. Participants also receive feedback at regular intervals from team members, executives, and program staff encouraging them to remain open to new learning opportunities.

*Post-program phase.* After the program, participants return to their full-time work assignment. Having delegated and repurposed 25 percent or more of their calendar during the program, they are encouraged to find new, more meaningful ways to contribute to their organization while continuing their own development. Many participants will rotate positions or be assigned to special projects within a year of the program's conclusion.

## Program Staff

Program staff play varied roles throughout the process. They partner with the CEO and senior executives to design the program. They act as facilitators, coaches, and teachers to guide participants through the program. And they help integrate the program with the rest of the organization.

*Preparation phase.* Program staff are business partners to the CEO and senior executives in planning the projects and selecting the participants. They act as an organizational development specialist in identifying project goals and mapping the root causes of the existing business challenges. They also help prepare executives and participants for their upcoming roles.

*Program phase.* Program staff facilitate, coach, and teach during each of the workshops and carefully track progress between each event. Because they work across four to eight projects in the action learning process, they often are able to see potential synergies or shared resource requirements between projects, thus encouraging strategic cross-team linkages and information sharing for the organization's benefit. They also serve as coaches, holding a weekly one-on-one discussion with each team member to ensure that the team is functioning well, it is making progress on the project, and the participant remains committed to self-development.

*Post-program phase.* Although program staff play no formal role in project execution or individual career counseling, they help to ensure that tracking and implementation systems are in place. If projects are not implemented as agreed or individuals do not receive clear feedback, the program credibility will be damaged.

## Project Selection

As noted, the CEO and senior executives select projects based on real challenges facing the organization. This helps avoid having the CEO arrive at the final workshop and hear that teams have been diligently working for months on projects in which the organization's leadership has little interest and no emotional investment. At a leading pharmaceutical manufacturer and Fortune 100 company we worked with, the CEO politely nodded at each team's recommendations and thanked them for their effort—and then went on with his day. The senior leaders had learned little about the participants, project implementation was unlikely, and the CEO's role had been reduced to a ceremonial figurehead on graduation day.

To ensure that projects are truly organizational priorities, each senior leader should submit ideas for review with the entire leadership team. These ideas should percolate up from the levels immediately below the senior team and be informed by any significant shifts in an organization's industry or strategy.

Linking projects to the future direction of the organization, or an area of perceived competitive weakness, helps to build new capabilities among the participants while also providing an assessment center to understand each individual's adaptability, learning speed, and strategic vision. During the program, participants will be required to benchmark externally, speak with industry contacts, talk to financial analysts, and learn and apply new knowledge in a vital area. As the senior executives and program staff watch and learn alongside the participants—albeit at a distance—they can easily see an individual's propensity for identifying, framing, and resolving key issues.

Once the project topics have been selected, the executives and program staff need to carefully define the deliverables and provide background information. The project statement and supporting documents should give the participants a running start at understanding the problem and its current state within the organization. Here is a summary of the areas to cover in the project statement:

1. Background
  - What is the issue?
  - How long has it been an issue?
  - What is the current financial, operational, and cultural impact?
  - What solutions have you attempted?
  - What were the results?
  - What have been the key inhibitors (technical, political, cultural) to your success in this area?

2. Vision of success

- What are your financial and operational targets in two to three years? What market knowledge or other data do you have that lead you to believe you can attain these targets?
- What additional information do you need to develop or verify your targets?
- What do you believe your financial and operational targets this year should be? What market knowledge or other data do you have to support these targets?

3. Hard and soft deliverables

- What are the hard (operational, technical, systems design) deliverables that must be accomplished this year? Consider the specific activities required for implementation this year.
- What are the soft (cultural, developmental) deliverables that must be accomplished this year? Consider the specific activities required for implementation this year.
- What hard and soft deliverables are required to prepare the business for the next two to three years? Consider plans, stakeholder dialogues, negotiations, or pilot tests that must be developed.

4. Decision makers and key constituents

- Does the issue reside in one part of the business or organizational hierarchy, or does it span multiple functions and business units?
- If technical systems (processes, tools, IT systems) are likely to change, who can authorize such changes?
- Who are the decision makers?
- Who are key stakeholders that may influence the decision makers or affect resource allocation as you work to solve the problem?

5. Resources available to the team

- Who are the internal people, teams, or other resources that the team should consult or use to better understand the issue and execute a solution? For each resource, include a brief description of what the project team should learn or do as a result of using the resource.
- Are there any internal or external documents the team should review to gain an understanding of the project topic area? For each document, identify a person who can provide the document.
- Are there any external experts or benchmarks that provide positive expertise or lessons learned related to the project topic? Are there any industry experts or analysts who can help the team? For each person or organization identified, state what the team can learn as a result of benchmarking.

6. Project budget

- What are the funding limitations or other resource constraints as the team completes its work?
- From whose budget will team expenses (such as travel) come?

7. Team coaching and development process

- How will team members be assessed and coached during the process?
- How will team members be coached after they have completed the project?

## Workshop Structure

The action learning process is divided into three workshops and two interim periods between workshops. Both the workshops and the interim periods provide rich opportunities for observation and assessment. [Exhibit 21-4](#) illustrates the process.

## Prework

Before the first of three workshops, participants undergo a 360-degree personal assessment of their skills as a leader. They receive feedback comparing other people's perspectives of them with their own views of their talents and leadership abilities. Participants are also given reading material that relates to overall organizational objectives, industry trends, or new knowledge areas. They are not told which project they will work on because doing so encourages a great deal of unstructured, uncoordinated effort. If participants are informed of their project topic in advance, they will likely undertake research in the hopes of getting a leg up on their colleagues.

## First Workshop

The first workshop, which lasts five days, is aimed at launching the teams, starting strategic project work, and developing new skills for each individual leader. Participants are exposed to innovative concepts in the areas of leadership, organizational change, corporate strategy, globalization, and shareholder value creation. Participants also examine their individual interaction within the newly formed teams and the team processes through which project tasks will be accomplished. Teams spend half a day engaged in group activities so that team behavior can be practiced and new learnings immediately applied. Team activity culminates during the first workshop with the definition of a mission, vision, and work plan for each team.

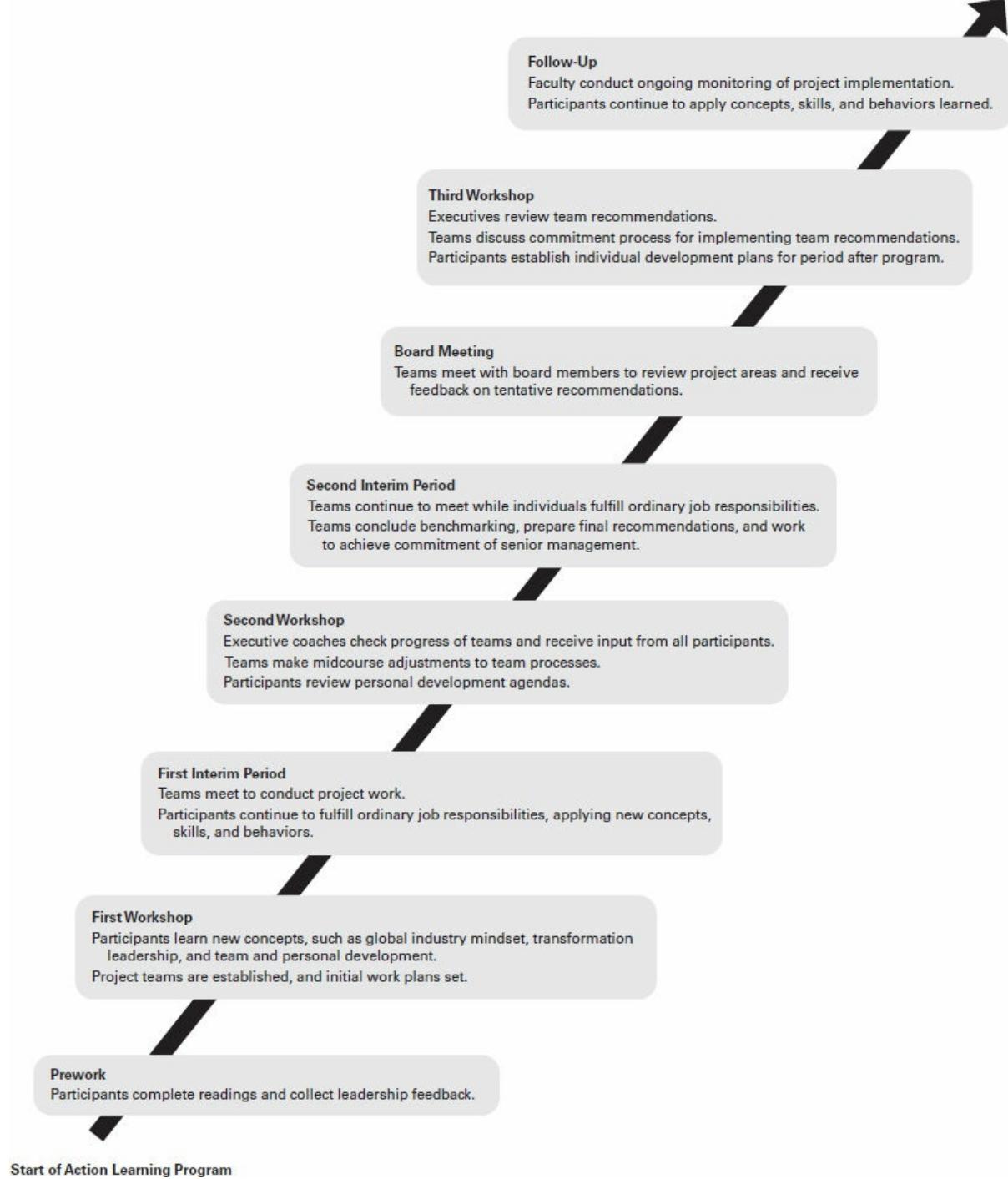
On an individual level, participants consider how to reframe their leadership efforts and more efficiently work with peers and direct reports in their work area. They also construct personal development agendas for time both during and after the action learning process.

## First Interim Period

Following the first workshop, participants return to their regular jobs while simultaneously working on their strategic projects. They are faced with the challenge of juggling multiple assignments, delegating work more effectively in their part of the organization, working collaboratively with peers, and communicating better through electronic media.

### Exhibit 21-4. Action Learning Program Process

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## Second Workshop

A midcourse, three-day workshop provides teams with feedback on their project work and participants with feedback on personal leadership skills and behaviors. Best practices are also shared during this middle workshop, and teams receive coaching support to help them move forward with their strategic projects. Executives participate in this workshop to review the project progress and understand how effectively teams are working together.

## Second Interim

During the second interim, teams often work at a frenetic pace to complete their recommendations while lobbying for the needed commitment from senior managers. Teams become increasingly task focused and must work to avoid burying team conflict and to continue individual learning. Teams also communicate with other teams to identify any interdependencies across teams or learning synergies, deepening the personal networks formed throughout the process. Finally, teams have an opportunity to meet with members from the organization's board of directors—to hear another perspective and better understand organizational dynamics at the top. [Exhibit 21-5](#) shows a sample board dialogue agenda for a 90-minute session.

### Exhibit 21-5. Sample Agenda With Board Members

#### **Day 1:**

Teams are assigned to present to one or two members of the board of directors.  
Teams prepare a 25-minute overview of their project analysis and draft recommendations.  
Teams and executive coaches provide feedback to each team.  
Time is set aside for some rehearsal and revision.

#### **Day 2:**

Teams meet with assigned board members, while the executive coaches observe but do not actively participate—in order to provide feedback to team members.  
Teams provide board members with an overview of the action learning process (five minutes).  
Team members introduce themselves to board members, sharing their personal development agenda (15 minutes).  
Team presents project update (25 minutes).  
Board members provide inputs (25 minutes).  
Board members offer final feedback to team and ask any questions of individuals (15 minutes).  
Teams wrap up the meeting (five minutes).

## Third Workshop

The final workshop is an intensive commitment process. Each team project receives two to three hours of focused attention from all participants, including senior management, to review team achievements, analyze recommendations, and commit to implementation. These project reviews are dialogues, debates, and real-time compromises with full participation from everyone, as well as firm commitments from the CEO and senior leaders to take action. Time is taken throughout the session to assess individual learning and development and to establish individual leadership agendas for the future.

## Tying Action Learning and Succession Planning Together

As the famous psychologist Kurt Lewin once said, “no change without learning and no insight without action.” Implementing an action learning program provides a unique lens into each of the potential succession candidate’s ability to learn, change, and convert insight into action. Because it lasts several months, involves real projects, and requires close teamwork, action learning provides an environment in which to observe a potential leader’s judgment and values. Simply put, a participant cannot “fake it” for such an extended duration.

Along the way, participants will be observed and provided with feedback from fellow team members, executives, and staff coaches. Organizations can learn much from how participants process such feedback and whether they become defensive and detached or embrace the opportunity to change and grow. Increasing self-awareness and modifying behaviors and operating styles are prerequisites for effective senior leadership. Nonetheless, even today many leaders make it close to the top of organizations through brute force or political manipulation that often poisons teamwork and kills an organization’s culture.

And organizations should not underestimate the value of exposure to the board of directors. Although action learning participants only meet with the board for a short session usually lasting fewer than two hours, it is an important opportunity to introduce top talent and hopefully better educate the board about the organization’s bench strength. In this way, an action learning program should be a catalyst for building relationships that encourage ongoing development and assessment with the CEO, board members, and top leaders well after the program.

Most important, action learning helps organizations discover diamonds in the rough. It provides an up-close perspective of leaders who were suspected to be outstanding but the jury was out due to insufficient data.

Take one example of how a lesser-known candidate can emerge within a Fortune 50 manufacturer. A woman joined the organization midcareer and worked in a subsidiary with less exposure. Although the senior executives who knew her imagined great potential, few others on the top team had been exposed to her. And because her daily work was far removed from the organization’s mainstream, the senior executives didn’t feel that they had a good assessment opportunity. But after emerging as a leader on an action learning team and displaying remarkable interpersonal abilities, financial analytic capabilities, and a smooth operating style, she was recognized by the CEO and senior executives for her outstanding potential. Today, she occupies a top post in a core area for the organization and is slated to succeed a senior team member when the time comes. Absent the action learning process she may have risen to a senior position at the subsidiary, but she would have likely remained undiscovered by the organization’s senior leaders.

No single experience or data point should ever be the basis for a succession decision. Instead, selecting leaders should be addressed through diligent review of multiple inputs on performance, judgment, values, and potential. Action learning offers a useful microcosm in which to view each of these inputs, challenge participants with experiences that may not be present in their careers, and broaden the succession databank to help ensure more successful selection and promotion.



## About the Authors

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## For Further Reading

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 Afterword

## The Future of Talent Management

*Annmarie Neal and Daniel Sonsino*

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For talent management professionals, the ambiguous, complex, and turbulent nature of today's—and tomorrow's—businesses demands that they rethink how, where, by whom, and with whom business is done. They need to rethink how leadership is leveraged, and how individuals self-organize in order to increase productivity while creating new forms of value. They need to cultivate more innovation within their organizations, with greater agility, while capitalizing on new technologies and networks. For many, this will require a significant re-designing of their workforce. Talent management professionals within the organization can no longer rely on traditional—and soon to be obsolete—organizational, leadership, and talent practices to drive business impact. The talent management function is thus at a strategic inflection point, if not already nearing crisis.

Let's fast-forward and imagine the future of organizations, leadership, and talent management. Let's suspend our beliefs, values, and beloved practices of today's world in order to see a future free of assumptions. In doing so, let's leap the chasm between traditional talent management strategies and practices and those required to drive evolving economic and business models and support future workforces. Let's build the organizational cultures and systems to ensure that investments pay off and drive competitive differentiation and success.

## Disruptive Trends for Talent Management

Several trends will disrupt not only the way organizations do business, but perhaps even the industry in which the organizations operate. Technological disruptions will revolutionize the concept of work and productivity—why organizations exist; how, when, and where people organize; how work gets done (robots, collaboration, social structuring); and how talent creates and produces current and future value.

Let's take a deeper dive into five trends and their implications for how talent might be managed in the future.

## It's a Whole New World

As the global economy changes, it shifts how and where companies create value and for whom. Big shifts in the world economy—the digital revolution, lower barriers to entry, globalization, greater access to education—combine to challenge how most companies sustain differentiation. Stability is no longer the norm; it is perhaps not even the goal. For most companies, the business imperative is shifting from creating value through scaled efficiencies to creating value through a portfolio of innovations in products, business models, and technology platforms that can be built quickly, evaluated, and then abandoned just as quickly. Speed, agility, and rapid prototyping will prevail.

Globalization has huge implications for how organizations leverage (buy, build, borrow) and engage (mobilize, collaborate) a dispersed and global workforce. How can talent management leaders design talent systems that appreciate how organizations perform against current business demands while at the same time advance strategic, operational, and organizational systems toward future business demands?

## The Next Big Technology Is Here

Disruptive technologies will create an exponential, not incremental, rate of change in how organizations and their employees work, learn, and consume. As talent management leaders brainstorm approaches and implement programs to attract, engage, optimize, and grow talent, they need to become well versed in how new technologies can alter the business landscape. Consider the impact of some disruptive technologies:

### *The Internet of Things*

The Internet of things, the global proliferation of mobile devices, and the rapid decrease in the cost of these devices and related services are taking us to a place where everyone across the globe will have just-in-time access to information and learning platforms, right when they're needed. Innovations around personal data capture and utilization are entering the mainstream with wearable devices like the Apple Watch, Google Glass, and other fitness trackers. Organizations will look to pull real-time information from social websites and feed them into complex algorithms to make informed business—and talent—decisions that will improve personal interactions and revolutionize the world of work (Nail 2014).

### *Big Data*

Big data will also transform how people live, work, and learn. The big data movement has allowed companies to collect, analyze, and apply huge amounts of information cheaply and easily to mine relevant insights and find connections. The growing ability to leverage information can be one of the greatest productivity drivers to date, not only in the marketplace but also in companies.

What if robust, just-in-time data analytics could completely revolutionize the role of the HR business partner as it's known today? With the onset of sophisticated business analytics, knowledge and content will be abundant and instantly accessible everywhere. Sophisticated data analytics will massively disrupt how talent management services are designed for, and consumed by, the business. Standard talent practices will be newly conceptualized, redesigned to drive top- and bottom-line growth for companies. With these analytics, talent management leaders can be less reactive and more predictive, requiring entirely new approaches, solutions, and perspective.

### *Machine Learning*

Innovative technologies teach not only people but also machines. Thanks to machine learning, organizations in all industries can take a closer look at the mundane tasks of everyday work and decide whether they can better allocate resources to increase efficiency. Advances in artificial intelligence offer incredible opportunities to reinvent the workplace (Nail 2014).

Over the last 10 years, industrial and low-paying jobs have started to disappear or move to

other countries. In the future, these jobs will continue to start to be replaced by automation and machines that don't tire, make errors, complain, demand labor contracts, or go on strike. What will this mean for talent management strategies when organizations are relying on fewer employees and more machines?

### *Robotics*

For centuries, new technologies have eliminated jobs, but they usually result in new jobs in turn. For example, more than 70 percent of the jobs were in agriculture in the 1840s, and today that number is less than 2 percent, due to improvements in agricultural technologies (Johnston 2012); freed of farming jobs, workers shifted to new jobs in knowledge industries. Tomorrow, however, the pace of technology will touch all industries and likely result in a job gap that will test social structures and economic systems. How will talent management leaders consider the capability and capacity of robots as part of talent systems and strategies? And how will they consider the acceptance of robotics in the workplace and the cultural implications that lie within this change?

## Let the Talent Bidding War Begin

The changing nature of work coupled with the changing face of the workforce creates new employer-employee dynamics. If the greatest business challenge facing large organizations is in the shift from production (scaled efficiencies) to producing (new markets, business models, and products), their greatest social challenge is in the changing demographics of the workforce and in how producing gets done.

The changing face of the organization creates complexities and challenges in recruitment, deployment, and engagement, especially as organizations enter new markets for fresh talent. It should not be new news that the workforce is aging and shrinking in the United States, Canada, and the most economically developed parts of Europe. However, the workforces in most of Asia (except Japan and South Korea), the Middle East, and South America are growing and getting younger. China, mostly because of its one-child policy, seems to be a special case: Its skilled workforce is growing because of expanded educational opportunities while population growth as a whole is stabilizing. How will global organizations not only procure talent from these growth markets, but also deal with the complexities of a multicultural, multigenerational, mobile workforce? Therein lies the opportunity for forward-thinking organizations to find competitive advantage.

Knowledge workers require different conditions in order to produce—such as organizational and decision-making structures that foster the development and production of new and creative ideas. Top-down organizations, too bureaucratic and slow, cannot react to market changes quickly or adequately enough. These hierarchical structures are thus being replaced by dynamic social structures. In addition, the consumer push to social is invading the workplace. New generations bring these patterns of social interaction and communication to their jobs, raising expectations as to how, where, and when work is done.

Wisdom of the crowd fuels new forms of innovation, collaboration, and productivity. With the rise of social technologies, organizations can listen to customers and employees differently and build effective collaborative ecosystems to evolve product designs, marketplace partnerships, and business models. Organizations must establish collaborative approaches to deliberately form and actively foster networks and social communities in order to do work.

## Managing Talent on Demand

Under way is the first stage of a deeper transformation from an employer-dominated business environment to one dominated by individual careers. Having a good job no longer means being an employee of a particular company. In an industrial-age economy, large companies provided stability in work through defined roles, standardized compensation packages, and predetermined career paths. But this organizational model has become obsolete over the last two decades, largely due to globalization and automation.

The onset of the information economy brings forth opportunities for an on-demand talent market, where anyone can manage their own career and be their own boss. Knowledge-intensive companies will contract out work to the market for three possible outcomes: 1) to save costs, 2) to free up their most creative workers to focus on strategies and initiatives that add the most value to the company, and 3) to drive new forms of innovation through coding jams and crowdsourcing.

Open talent markets where individuals and global project teams bid on high-value tasks and opportunities will become all the more common. This new dynamic will change what “managing” means within the organization because managers will no longer always be overseeing a pool of internal employees, but instead a much larger pool of external talent. Further, this trend hasn’t even begun to touch the need to reevaluate compensation and benefits systems, labor laws, job conditions, and privacy policies (Economist Staff 2015).

How will talent management leaders design projects so that they can be parsed out to talent communities? How will leaders manage dispersed workforces when workers can control their own lives, doing the work they want to when they want to do it? How will employees engage with just-in-time employers, while staying relevant within a system that requires high degrees of flexibility and self-reliance? And how will performance be managed? These questions will be on the minds of all future talent management leaders as organizations enter the on-demand talent market.

## Exponential Change Will Require Stronger Leadership

Many strategic thought leaders believe that strong leadership is the backbone of an organization. Leaders create the vision; support the business, operating, and organizational strategies; and act as the catalyst for developing the bench strength to create, capture, and deliver unique market value. Nearly every successful invention, reinvention, or transformation can be directly linked to the effectiveness and health of an organization's leadership engine. The rate of change, regardless of industry, is exponential—business leaders will continue to face an ever volatile, uncertain, complex, and ambiguous world.

Tomorrow's business environment will require new strategic capabilities that allow organizations to compete aggressively in new markets, transform current business models, and be agile in both evolving and sustaining for the long term. Tomorrow's business environment will also require new leadership models that inspire elite levels of performance. Talent management leaders will thus need to rethink their leadership development and succession planning programs to ensure that their organizations are generating leaders that can respond to rapidly changing business environments.



More diverse workforces, new technologies, competitive talent wars, on-demand talent, and ever-evolving business environments are just a few trends that will revolutionize how organizations and leaders manage talent. To cope, these organizations and leaders will need to look deep within themselves and determine what the future of talent management will mean.

## A New Definition of Talent Management

The current definition of talent management is soon to be obsolete. But what will replace it? Based on our collective experience, a few shifts are certain. [Exhibit A-1](#) highlights the most notable shifts.

Exhibit A-1. Shifts in Talent Management

Shift	Away From	Toward
Organizational model	Structured; command/control; hierarchical	Ecosystem of collaborators; flat, agile, dynamic, and matrixed
Employment contract	Employer dominated; controlled and “owned” workforce	On-demand and open talent markets; career dominated
Purpose of talent management	Defined design and execution; mechanized annual processes	Agile system of highly analytical, business-aligned talent portfolio tradeoffs
Workforce dynamics	Integrated talent model that serves to link HR processes (hiring, developing, deploying)	Technologically interconnected, socially structured ecosystem that leverages sophisticated workforce analytics for just-in-time (and often specialized) capabilities
Role of talent management professional	Process and practice designer	Curator of sophisticated networks and social communities that come together for purposeful work
Governance model	Slow hierarchical systems based on tenure and complex decision structures	Agile, socially adept risk taking that pushes decision making to the lowest level of the organization

Future definitions of talent management must include these factors:

- progressive ways to enable social structures for individual and organizational performance (growth, innovation, and productivity)
- team-based tools for assessment, performance, and measurement that take a greater priority over individual approaches
- predictive analytics that allow talent professionals to use data to evaluate trends and make future-focused decisions
- deeper industry and business insight that allows talent professionals to leverage just-in-time talent, new markets, and emerging technologies like automation
- governance engines that embrace an open talent market.

## Seven-Point Plan for the Future of Talent Management

As you've read the *ATD Talent Management Handbook*, your perceptions of the talent function have likely been challenged, and perhaps even altered. With all the progressive ideas and best practices covered thus far in the book, here's a seven-point plan for navigating the future of talent management and for turning the tides about the perception, definition, and scope of how we work as a collective to improve business results.

## 1. Get Smarter About Data Analytics

Mastering big data analytics is essential for any company's success. According to a Deloitte study, "while 78 percent of large companies ... rated HR and talent analytics as 'urgent' or 'important,' enough to place analytics among the top three most urgent trends, 45 percent of the same companies rated themselves 'not ready' when assessing their readiness in HR analytics" (Bersin, Houston, and Kester 2014). Progressive talent management leaders need to build the organization's capability to analyze and leverage sophisticated and robust data analytics in order to not only track and report people data, but also enable just-in-time, data-centric workforce decision-making tools (workforce planning, performance management, and succession) for business leaders.

Imagine a business environment in which all business leaders have a toolkit of robust interactive and predictive data analytics to make just-in-time workforce decisions. Imagine that a business leader can consult with her senior HR partner on these analytics—allowing them to deploy low-cost capabilities in Turkey against routine tasks while tapping into a global product design community to crowdsource the next iteration of a smart app. Imagine that this same leader also discusses with her senior HR partner about a strategic deployment need in India and is able to swipe a few screens to find three potential leaders (one in China, one in Brazil, and one employed by a strategic partner), who are skilled, ready, and able to take on this assignment.

Imagine a world where, given these sophisticated talent analytics, leaders can evaluate performance and provide feedback to their teams immediately. Imagine that intra-organizational teams can receive an automated message with sophisticated data to inform them as to how their performance measured up against benchmarks and agreed-to-standards.

This imagined business environment will require a number of changes across the talent management function. Use the questions below to assess your organization's data analytic capability.

- Do you have the capability (bought or borrowed) to aggregate data and make data analysis a strategic value-add for your team?
- Do you have a collaborative partnership with your IT team to ensure that you have the resources to improve your analytical power?
- Do you have access to critical business unit, company, industry, and market data that enable you to capture business-relevant HR analytics and determine strategic and operational business drivers, such as revenue generation, return on innovation, sales forecasting, and employee productivity?
- Are you actively leveraging how other functions—such as logistics, marketing, and

supply chain management—are thinking about the power of big data? Are you considering rotating some of that skill set into your function?

## 2. Modernize With Agile in Mind

Talent management leaders can learn much about data analytics from partners in other functions like logistics, marketing, and supply chain management. Similarly, they can learn about agile, dynamic organizational design from partners in software design and product development.

Agile emerged as a best practice for releasing new products successfully faster. Progressive product development groups leverage the agile methodology to organize a culture where:

- engagement is high against the needs of the business (customer and business models; value creation)
- work can be visibly broken down into flexibly interacting pieces—that is, processes are decoupled from one another
- responsibilities are managed by smaller autonomous work teams
- accountability is focused on a continually refreshed series of anticipated benefits
- attention to financial matters is driven by top-down transparency of investment performance.

Imagine an organization designed to succeed as measured by growth, innovation, and productivity where individuals (inside and outside the organization, at all levels) robustly collaborate on opportunities, commitments, contracts, and benefits to deliver results—continuously. Imagine an organization that is self-learning and self-correcting (feeding such data to other teams) and thus evolves smartly as the market demands. Imagine an organization that allows talent and skills to move fluidly across its fully permeable boundaries. Imagine an organization that openly embraces systems for self-governing, self-monitoring, and self-enabling.

Organizations need new organizational design approaches to perform against complex marketplace demands, while buying, building, or borrowing the necessary capabilities to deliver on its future value proposition at an accelerated rate of change. Talent leaders must understand how to design dynamic organizations that are agile in nature and that leverage traditional human resource practices, such as recruitment, strategic deployment, and employee engagement, but in new and different ways.

Consider how Pixar, Red Hat, topcoder, and Mozilla have leveraged disruptive organizational models to capitalize on specialized talent communities—to bring a movie production or software product to market. And also consider how TOMS, through the vision of its CEO, aligned its organizational design to the company's overall philanthropic vision of “one for one” approach to business.

To design and enable this imagined organization model, several changes across the talent management function are required. Use the questions below to assess your organizational design approach.

- Does your organizational model ensure innovation, growth, and productivity at global scale?
- Does your HR function have strategic organizational design capabilities to understand not only the organization of the future, but also how to drive the necessary change in management, leadership, and organizational processes that would support an agile-like design approach?
- Do you actively explore how other organizations are developing strategic organizational design capabilities? Is your company leveraging disruptive organizational models?
- Does your future organizational model create strategic and operational efficiencies and encourage social good (sustainability, philanthropic values)?
- Do your HR leaders challenge the current structure against speed to market, customer intimacy, speed of decision making, return on innovation, and productive engagement of employees?

### 3. Enable Scaled, Social Learning

John Hagel, John S. Brown, and Lang Davison in *The Power of Pull* (2012) speak to the need for organizations to shift from scaled efficiencies to scaled learning. To make this shift, learning strategies must focus on scaled learning models over skills-based training—continuous learning must become core to the ethos of an organization’s culture, rather than just a training or development process.

Imagine a social community in which a sales organization learns by experience, through trial and error, and from its employees—socially. Imagine that a retail sales employee can leverage a mobile app that not only provides product updates but also helps him master sales skills. Imagine that the employee can ask the app for immediate feedback after a sales transaction, tracking progress over time. Imagine that the data collected from this transaction links to a broad social community of similar sales professionals where others are able to both learn from the employee’s interactions but also provide advice, mentoring, and coaching.

An organization with talent leaders that leverage innovative social learning systems will disrupt today’s learning paradigms. Traditional classroom and online learning models will be replaced with both formal and informal social learning communities. Advanced social technologies and interactive apps will allow organizations to leverage open-source, peer authored, experiential crowd learning and gamification in creative and innovative ways. Social structuring will enable mentoring to take on an entirely new meaning and role within organizational learning.

Organizations that embrace this change will retain key talent, thus ensuring that they have the capabilities to lead. Talent management professionals will be called on to lead these organizational, cultural, and social shifts required to enable scaled learning. Use the questions below to assess your organization’s readiness to embrace this shift to scaled, social learning.

- Is your learning team developing a learning strategy that brings the future forward?
- Does your learning strategy consider the major skill set shifts required in an environment of disruptive technologies? Does your learning strategy also consider the role of robotics and machine learning as part of the learning plan?
- Does your learning organization have the skills, capabilities, and mindset to shift from developing training content and running corporate learning programs to curating social communities and designing interactive learning solutions?
- Does your learning organization collaborate actively with key partners within the business, such as communications, marketing, and software professionals to design and develop innovative learning solutions?

- Are you re-envisioning and redesigning your incentive programs to reward learning authors and expertise across your organization?

#### 4. Focus on Performance and Results

Today's performance management systems are designed largely to support the industrial-age organization and based mostly on individual units of performance. It is no surprise that performance management is one of the most disliked practices by employees, managers, and HR professionals. In fact, a recent Bersin by Deloitte study found that "only 6% (of companies) believe their current process for managing performance is worth the time, 58% called their process 'weak,' with North American companies 20% worse than the rest of the world" (Bersin 2014).

Let's be honest, the talent management function has gone astray with performance management. Performance management systems should drive innovation, growth, and productivity through aligned and robust goal-setting, feedback, and reward practices. It's that simple. However, performance management practices and systems have become so heavily administrative and compliance-oriented that organizations have truly lost sight of the forest for the trees. And after all the heavy lifting of a performance management cycle, often 70 percent of the organization is left feeling uninspired (Neal and Kovach 2011).

Perhaps the greatest opportunity for talent leaders is to challenge not only their assumptions and practices of performance management, but also the purpose that performance management serves future organizational models. Are performance management systems even relevant and if so, in what ways? What does performance look like within dynamic and open-sourced organizational models? How do talent leaders capture the shift from industrial-age production to information-age production (of ideas, products, and markets) when there is rarely a one-to-one correlation between immediate effort and results? How do talent leaders drive and measure innovative forms of production when often this work is highly collaborative and iterative in nature? And, if the future purpose of performance management is to drive the production of new ideas, business models, and markets, how can talent leaders more purposefully leverage smart technologies and data analytics to enable the shift from retrospective tracking (compliance) to prospective value creation (rapid cycle and transparent feedback loops)?

Imagine a management environment in which data analytics and dashboards are readily available on demand to track relevant indicators and predictors of project, team, and business performance. Imagine a performance environment that adopts consumer-based social technologies in which employees can like or recommend co-workers and managers alike. And imagine that rather than employees waiting for their dreaded annual review, they have on-demand access to rolling dashboards and Facebook- and Yelp-like websites that provide immediate constructive feedback against current projects and initiatives.

Use the questions below to assess your organization's position on performance management.

- Is your business case for performance management driven out of the theory of value creation?
- Do you focus performance management on growth, innovation, and productivity? Do you align your program measures to these three key areas?
- Is your underlying assumption of performance management to empower the organization (at large, through teams, and as individuals) to drive higher levels of sustainable performance year over year?
- Are you designing your performance management system with only compliance in mind?
- Does your performance management system leverage advanced technologies to provide just-in-time and on-demand feedback, rather than providing it once a year?
- Does your performance management system produce robust, transparent, and actionable feedback?
- Does your approach to performance management match your organization's desired culture of the future?
- Is performance acceleration part of your organization's culture and within the rhythm of the business so that performance management tracking therefore takes minutes, not hours or days to complete? Are your managers key audience members to how an effective process should be run—simple and effective?
- Is your process simple and transparent? Can you explain it to a 10-year-old?

## 5. Rethink High-Potential Identification and Succession Planning

For years, the standard tool for identifying and managing the succession of high potentials has been some variation of GE's Session-C performance assessment process. This top-down, leader-led tool has worked to build a rhythm to and dialogue for talent calibration. When considering future organizational models, what is the relevance of "high-potential" talent? What will it look like? Where will it be found? How will it be deployed for critical assignments? And can it be fully leveraged within a dynamic organization, whether the assignment is specific project based or focused over the long term?

Some talent management futurists predict that leaders will be identified from a social network, rather than through a top-down calibration process. But what will this mean for an organization's definition of high potential and for its systems of identifying high potentials? According to Rob Cross (2004), over the past decade or so significant restructuring efforts have left organizations with fewer hierarchical levels and more permeable functional and organizational boundaries. While hopefully also promoting efficiency and flexibility, these restructuring efforts have led to increased coordination through informal networks of relationships rather than through formal reporting structures or prescribed work processes. These seemingly invisible webs have become central to performance and strategy execution. And according to Cross, analyzing these organizational networks will provide insight into the inner workings of an organization—a powerful means of making seemingly invisible patterns of information flow and collaboration in strategically important groups more visible.

Today's succession planning practices will be disrupted in future-based talent planning models. Robust and strategic workforce analytics allow managers to know who and where their talent is at all times, similar to how sophisticated logistics and supply chain models operate. Advanced scenario planning will allow managers to assess gaps and risks with the swipe of a screen.

How will these shifts affect talent practices? Talent executives will need to focus their attention on the systems and processes that enable leaders to leverage sophisticated data strategically. Because organizations are becoming more fluid and agile from an open talent market perspective, the talent planning engine will be less about placing leaders into a 9x9 grid and more about understanding how the 9x9 grid evolves with as businesses transform. Organizations will need fluid scenario planning and talent movement to create new leaders with core expertise in order to dominate the future landscape.

As professor David Larcker of the Stanford Graduate School of Business concluded in a 2014 study, "Succession is vitally important today, just as it has been in the past. Still, the majority [of corporate leaders interviewed for the study] do not think that their organizations are doing enough to prepare for eventual changes in leadership at the CEO

and C-suite levels, nor are they confident that they have the right practices in place to be sure of identifying the best leaders for tomorrow. Research shows that companies with sound succession plans tend to do better” (Larcker and Saslow 2014). Gone are the “time in role”-based decisions on readiness and the once-a-year talent conversation. Instead, organizations will leverage more data for talent readiness, build true leaders through focused and measured rotation programs, and be transparent with talent about their succession status.

Use the questions below to assess your organization’s position on succession planning.

- Is your approach to talent pipeline management agile enough to consider different business scenarios and industry and competitive landscape transformations?
- Does your succession planning process lead to a robust leadership strategy for your organization?
- Does your process challenge your organization to consider different leadership styles and approaches? Or does it just replicate the leaders that you have today?
- Are you leveraging data analytics, social structuring, and influence nodes to rethink how future potential aligns with your future business needs?
- Does your plan pass the “really, really, really” test? Meaning, if the chairman of your board called you this very moment, can you say you are ready, really ready, truly ready to replace critical roles with 100 percent certainty of success?

## 6. Throw Out the Traditional Approach to Career Management

Talent management leaders spend countless hours and dollars on the career planning of their staff. But in the future, these leaders will need to change their approaches extensively. Within an open talent market, workers will be in charge of developing their own careers from a portfolio of integrative experiences. How will talent management leaders reimagine how careers are developed through (rather than in) their organizations? What processes need to be in place to ensure that workers develop the relevant skills for the future business through innovative ways? How will social communities and technologies amplify one's ability to leverage experiences across various settings and situations? And how can talent management leaders approach career planning much more dynamically, as opposed to statically and linearly?

As data become cheaper, faster, and more pervasive, the nature of work will change. As a rule of thumb, 60 percent of the jobs 10 years from now haven't been invented yet, according to some futurists. Given this, how would one career plan for roles such as drone dispatchers, nanomedics, privacy managers, 3-D food printer engineers, or avatar designers? Similarly, as social structuring becomes more prevalent, next-generation workforces will depend less on traditional, industrial-age ladders and will rely more on creating relevancy in all that they attempt to do.

If you believe the traditional career structure exists within your company, you haven't been looking at the Millennials around you. With two years as the average company tenure, does your career ladder contain experiences gained with competitors? Should it include time outside of your home country if you have a global customer base? When should the dialogue about an employee's career begin? After one year? After six months? During the interview?

In the industrial age, workers worried about lifetime employment, making the career planning process an important element to talent management. However, today career planning is about demonstrated growth and results. What will tomorrow's expectations of leaders be, and how can you begin to lay that foundation today? Will careers be individually focused or linked to communities of practice? Will current models of community and employment bypass a ladder or lattice model to a fluid, agile model based on expertise and learning for shared purposes? Will social connections provide real-time insight into moving from degrees and certifications to careers built on critical thinking, relevant connections, and the ability to see through the complexity to find the simple answer?

Use the questions below to assess your organization's position on career planning.

- Is your expectation that your employee base will remain with you over the next five

years? If so, how will you retain, motivate, and engage each and every employee when your data and approaches are generalized, not personalized?

- Does your career model focus on those with the highest potential?
- Is your perspective on experience relegated to what your employees can learn while working for your company, or does it include your competitors, new markets, global insight, and sabbaticals to remove the clutter?

## 7. Make Your Culture Personal and Relevant

For talent management leaders looking toward the future, organizational culture will become perhaps the most important aspects of the talent function. It will serve as a key differentiator to attract and retain all forms of talent needed to execute a company's value proposition. Some talent management leaders believe culture can be designed and implemented from a blueprint, rather than nourished and enhanced over time. Embracing an open organizational culture will require further refinement, executive sponsorship, and branding to achieve measurable business impact.

If you believe that the talent or HR function “owns” the organization’s culture, you are doomed to ruin it. Rather, a culture exists because of the behaviors of individuals (leaders, employees, partners and vendors, and sometimes competitors) who make up an organization; the type of decisions that are made; how employees, customers, and partners are treated; and how they hold one another accountable.

Culture is the number one organizational feature asked about by candidates during the interview process. If you don’t think your culture will enable you to hire and retain the best talent, you will fail. If you don’t recognize that your culture and your brand influence how your customers and shareholders consider spending a dollar with you or your competitor, you are missing an opportunity to grow.

In 2013, Starbucks banked that a culture focused on sustainability would drive business growth—and they were right. For all the companies that have done culture smartly—Google, Southwest Airlines, Nike, Virgin, Mayo Clinic, and Genentech—there are just as many who have seen it become their downfall—Morgan Stanley and AOL.

Use the questions below to assess how your organization’s culture will stack up in the future.

- How does a dynamic and matrixed organization create and perpetuate culture when employees are dispersed, owned, and borrowed, on assignment or long term?
- How will organizations create systems of mission and purpose that pull people to want to work with and for them?
- Who in your organization owns culture? With the best talent assessing culture as a main factor in future employment, how do you create a dialogue around culture at the executive table within your organization? As talent leaders, do you act as stewards of culture, guiding and enhancing what’s working well and evaluating where it can be improved?
- How do you leverage social technologies to listen to your employees? With organizational culture becoming more social and transparent, how well will you

market your culture, encourage feedback on it, and leverage it as a key indicator of talent success throughout the hire-to-retire cycle?

## Call to Action

Most talent management departments have not kept pace with change in the business environment. The organizations that innovate, adopt new practices and measures, and take risks will succeed. Those that remain rooted in old paradigms will falter and slowly fade into obscurity. The shift to more innovation will not come easy for some, but this new reality is now upon the industry. The next generation of talent management leaders will lead the charge and reap the rewards from a future-focused approach.

Executives and pundits continue to call for the demise of the talent management function. More nontraditional leaders are moving into talent management leadership positions, applying the business lenses of operations, supply chain management, marketing, and analytics to the function. Talent management leaders must step off the sidelines as the function evolves or risk becoming extinct. They must take back control by staying abreast of market trends, leveraging social networks, and listening to consumer perspectives, while delivering on the future needs of the business today. The path to lasting relevance is right in front of you.



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## About the Editor



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