

WHAT IS TALENT?

Dave Ulrich and Norm Smallwood

A hard-nosed executive team had heard the rhetoric often enough that they began to believe it: *people are our most important asset; it all begins with talent; we need to win the war for talent; leadership matters more than leaders*. They grudgingly accepted that they should improve their talent efforts. So, with good intentions, they dedicated a half-day to the improvement of talent in their organization. Where should they start? What should they focus on?

Sometimes, when issues become more important, they become less clear. In a normal month, we receive (and even are guilty of sending) dozens of invitations to talent workshops, webinars, and books. There are so many frameworks, tools, platitudes, programs, and promises in the talent domain that it is easy to get lost in the rhetoric. So the half-day on talent becomes a rather nebulous reaffirmation that talent matters, an acknowledgment that leaders must invest in talent, recognition that training alone is not sufficient for developing talent, an awareness that employee engagement does indeed lead to higher productivity, and a renewed commitment that good employees need to be hired and retained. Executives leave the meeting having checked off the talent-review box.

Unfortunately, they have not really made concrete progress on improving talent.

In the spirit of taxonomy and simplicity, we have identified four choices that senior executives can focus on when they invest time and energy to improve their talent, summarized in Figure 1:

When executives make choices for each of these four target groups, they can turn talent rhetoric into specific actions and results:

- C-suite executives: Succession, customization, and modeling
- Leadership cadre: Leadership academy
- High-potentials: Individual development plan
- All employees: A talent culture

C-Suite Executives

At the top of every organization are the C-suite executives. These leaders are generally high performers who have a track record of accomplishment and demonstrated ability to shape the future, deliver consistent results, engage others, and build the next generation.

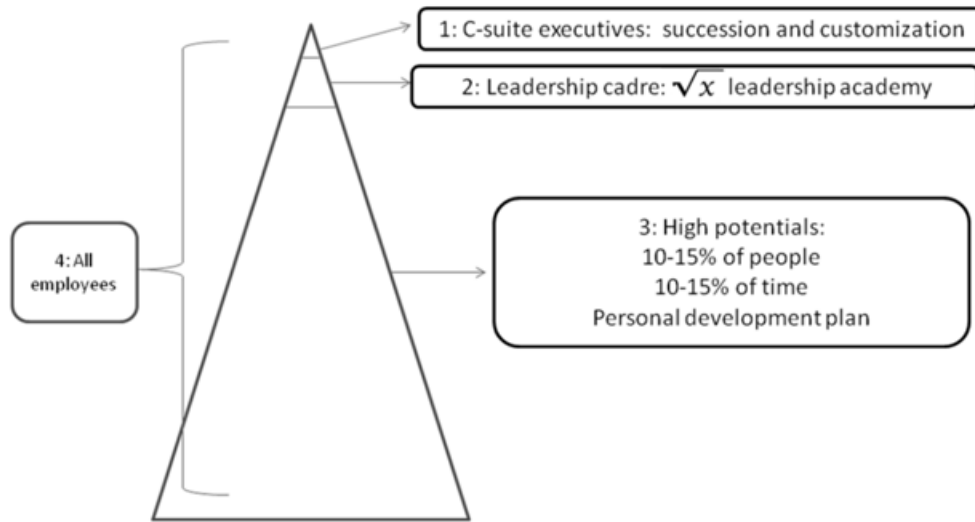


FIGURE 1. OVERVIEW OF TALENT PYRAMID AND CHOICES

They have well-developed personal awareness and interpersonal know-how. They should have the respect of employees, customers, and investors.

When they think about a meeting on “talent,” they often assume that the discussion will be about employees who report directly or indirectly to them, not about themselves. Yet talent improvement applies to these individuals as well in three ways: succession, customization, and modeling.

Succession

Ultimately, the test of all leaders is how well they build the next generation of leadership, or succession. In some limited cases, we have found C-suite executives who are threatened by talented subordinates who may outshine them. When these executives make decisions to thwart or hinder the next generation, they undermine their personal credibility and damage their firm’s future.

Succession requires self-confidence that the presence of gifted subordinates is indeed a gift and not a threat. Succession requires thinking about the future requirements of the business and what the business may need when current leaders retire. It requires getting to know a broad spectrum of employees who form the future talent pool. It requires ensuring that talented potential successors have the right set of experiences to prepare them for the future. It requires enormous political tact to determine timing of job assignments and aligned organization pro-

cesses for moving targeted people into key positions. Finally, it requires systematic and candid reviews at both the executive and board level about business conditions, key positions, and possible candidates for those roles.

Customized Experiences

Top leaders also need to improve and develop themselves. As Marshall Goldsmith’s book title says so well, *What Got You Here Won’t Get You There*. Career transitions through the leadership pipeline are discontinuous—that is, the skills that help people become successful at one level impair their ability to excel at the next. A great individual contributor in a technical role such as an engineer, marketer, operations expert, or merchant may not be the right choice for promotion to senior executive, who must shape the future, delegate to others, and build a sustainable organization, for lack of the experiences and skills to play the role. Developing C-suite executives does not come from generic courses or experiences, but through a customized series of development experiences. These may include

- *Expert coaching.* Good external (or internal) coaches help leaders candidly look at their strengths and weaknesses and make personal changes to improve.
- *External insights.* C-suite executives often have close contacts with other executives, either through their

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own board or participation on other company boards. Targeted visits with peer executives around selected topics often provide valuable insights.

- *Participation in external groups.* C-suite executives have enormous time demands, but they also have opportunities to learn from participating with external groups including service or philanthropic organizations.
- *Targeted training.* Often external training programs have a particular orientation, such as how to be a leader in emerging global markets, how to create a culture of innovation, or how to bring financial discipline into the company.
- *Tailored learning.* Most C-suite executives we know are curious and agile learners. They want to develop. Their personal development might include reading books or articles on topics they are interested in, visiting with thought leaders at one-to-one meetings, or meeting with these leaders and their teams.

Modeling

As executives move up, they become more visible. C-suite executives are inevitably observed and imitated. In addition, how the senior team operates becomes a bell-wether for how those inside the firm set goals, make decisions, treat others, and manage conflict. Senior leaders should be self-aware and self-reflective of how their personal behavior and collective action shape what others do. Leadership hypocrisy exists

when the rhetoric of leaders does not match their behavior, and what they do is louder and more visible than what they say.

Leadership Cadre

Talent means investing in the next generation. A key cohort represents the top leaders in the company who should be the centurions that translate and enact the C-suite agenda. We are almost always asked how many of the senior leaders in an organization should be considered the key cohort. A simple rule of thumb is the cohort number is about the square root of the total number of employees. The square root logic implies that it's important to ensure the allegiance of top leaders as a firm grows:

Firm Size	Approximate Size of Key Cohort
100	10
1,000	30
10,000	100
100,000	330

These leader cohorts are often the senior positions of the company where they can leverage key ideas and actions that most impact others.

The talent goals for this cohort are to ensure that they:

- Demonstrate the skills to do today's work.
- Develop the skills to respond to tomorrow's business requirements.
- Translate the business direction into subsequent organization choices and processes around money, people, and data.

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- Are a voice of the employees to senior managers and senior managers to employees.

These leaders must balance competing orientations. They must not succumb to a role of being the hands and feet of the C-suite executives or they add little value. Additionally, if they constantly recreate and recast the directions of the C-suite executives, they become barriers to unity. This key cohort should understand the C-suite agenda by challenging and debating it with their bosses and then translate it into goals and actions for the rest of the company.

To build talent among this cohort, C-suite executives and leadership development professionals must build a distinct leadership brand for the organization that will impact the personal leadership brand of each leader by considering the following steps:

1. *Create a business case for leadership.* Change starts when leaders have a clear line of sight between investments in leadership and positive outcomes like employee productivity, strategy execution, customer share, investor confidence, and community reputation.
2. *Articulate a leadership brand.* This is a statement of what makes an effective leader. Like any product or firm brand, it requires that the basics are done well, but it also distinguishes itself from other brands. We have codified the basics of leadership into five rules that all leaders must master and adapt:
 - Shape the future.
 - Make things happen.
 - Engage today's talent.
 - Build the next generation of talent.
 - Invest in yourself.

Those charged with leadership should develop specific behavioral competencies for each of these rules. These basics explain 60 to 70 percent of leadership effectiveness. The other 30 to 40 percent of a brand are differentiators, or those things that are unique to leaders in the company. These differentiating competencies are related to how leaders connect

employees to customers in a way that ensures the desired customer experience.

To define these differentiators, start from outside the company and then move to the inside. This means it's necessary to answer questions like these: Who are our key customers now and in the future? What do we want them to know us for as a company (that is, what is our desired identity)? How can leaders inside the organization then behave consistent with these external expectations?

Our research on "Top Companies for Leaders" (published in Fortune with Aon/Hewitt every two years) confirms the value of building a leadership point of view from the outside in. Over 95 percent of the 450 companies in the study have a leadership competency model, but a very small percentage connect their leadership competencies to customer expectations. In contrast, over 70 percent of the top 25 companies for leadership make this connection. The result of this step is that there are clear standards for effective leadership that distinguish leaders in one organization from another.

3. *Assess leaders.* Leaders in the top cohort need to be able to look in the leadership mirror and determine how they are doing. Frequently, this is done through an annual 360-degree assessment where they learn how they perform against the leadership standards.
4. *Invest in leadership.* The top cohort needs to invest in leadership development. We have found that there are three general categories of leadership investment:
 - Work or job experience (50 percent of development investment)
 - Training or formal learning experiences through a leadership academy (30 percent of investment)
 - Life experience (20 percent of investment)
5. *Integrate leadership into organization actions.* This cohort should see their ability to lead as critical to their long-term succession and as part of their annual review. In the long term, those leaders in this cohort who develop skills in building future leaders are more likely to move to C-suite positions.

High-Potentials

Moving down the pyramid, talent also refers to future leaders and technical experts in the company. In our “Top Companies for Leaders” research, we have estimated that about 10 to 15 percent of the workforce is high-potential future talent. These high-potentials are found in key positions throughout all levels of the organization. They may be technically proficient or they may be in key frontline managerial roles. They have a large capacity for future growth.

There are many studies to determine what makes someone a high-potential. The traditional definition was someone who could be promoted two vertical levels in five years. We find this flawed as organizations have become flatter and time for promotion varies so much by company. As we synthesize the characteristics of a high-potential, four factors emerge:

- *Ambition:* Any business success comes with a price including personal time, hard work, emotional dedication, and perseverance. High-potentials have the personal drive and ambition to pay the price of success.
- *Ability:* In the leadership literature, individuals often derail because they are unable to learn from mistakes or from the past, lack interpersonal skills, are not open to new ideas, do not adapt to new situations, or become complacent and arrogant. By definition, high-potentials have not derailed and have potential for future growth.
- *Agility:* One of the key skills for future leaders is the ability to learn and grow. Learning agility includes mental agility (curiosity, finding simplicity in complexity, identifying quick rules of thumb), people agility (self-aware, committed to personal growth, working to help others succeed), change agility (likes to tinker and experiment, tries new things, accepts failure), and results agility (flexibility in ideas, good in new situations, works well with teams).
- *Achievement:* Future leaders have a pattern of achievement in the present. They accept new assignments and deliver well on them.

Individuals can be assessed on each of these four dimensions to place them into the high-potential category. Membership in this group is not an entitlement, it is something that is re-earned annually. Once included, investments are made to help these individuals develop their full potential by offering them an individual development plan, which often includes a two- or sometimes three-year agenda for how they can increase their contribution to their organization and their personal growth. At the heart of this personal plan is a deceptively simple one-page document that shows what the company will do to invest in the individual and when these investments can be expected to occur over the two-year period (see Figure 2).

The rows represent talent investments that follow the 50-30-20 logic described earlier, but may be tied more to work experience than formal training. Talented individuals have a unique opportunity to learn by full- and part-time assignments, supplemented with training and outside work experiences. A good example of the latter is what IBM calls the “IBM Corporate Service Corps.” In this innovative development initiative, the company offers high-potential employees the opportunity to spend three to six months working on community service projects. Participants perform community-driven economic development projects in Africa, Asia, Eastern Europe, and Latin America, working at the intersection of business, technology, and society. As of early 2011, over 1,000 high-potential employees in 100 teams have participated. This is an example of the row labeled “*Participate in service or philanthropy*” in Figure 2.

Executives who are committed to talent define who is considered high-potential in their organization. They flesh out the rows as opportunities for this talent. They can offer guidelines for how much time high-potentials will spend annually in these development activities. They can guide leaders and HR professionals to have informed career conversations with these employees to help them recognize the organization’s investment in them.

All Employees

At a more general level, talent discussions affect all employees within the company. Every employee can and

DEVELOPMENT ACTIVITIES	YEAR 1				YEAR 2			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Attend a university course								
Attend an in-company course								
Do a 360-degree assessment								
Receive coaching								
Participate on a task force or special project on globalization								
Participate on a task force or special project on innovation								
Participate on a task force or special project on cost cutting								
Shadow a leader								
Make presentation to senior team or Board of directors								
Do site visits to key outside companies								
Job assignment in a different culture								
Assignment in a staff function								
Responsible for a P&L								
Do a psychometric assessment and get coaching								
Participate in service or philanthropy								
Join a social media network								
Present at a conference								
Publish an article								
Additional duties								

FIGURE 2. INDIVIDUAL DEVELOPMENT PLAN

should be considered a “talent.” We have synthesized these general talent discussions into a simple formula: Talent = competence × commitment × contribution.

Competence refers to the knowledge, skills, and values required for today’s and tomorrow’s jobs. One company further refined competence as *right skills, right place, right job, right time*. Competence matters because incompetence leads to poor decision making. But without commitment, competence is discounted. Highly competent employees who are not committed are smart but don’t work very hard. Committed or engaged employees work hard, put in their time, and do what they are asked to do. In the last two decades, commitment and competence have been the standard elements for talent. But we have found the next generation of employees may be competent (able to do the work) and committed (willing to do the work), but unless they are making a real contribution (finding meaning and purpose in their work), their interest in

what they are doing diminishes and their talent wanes. Contribution occurs when employees feel that their personal needs are being met through their active participation in their organization. Organizations are the universal setting where individuals find abundance in their lives through their work and want this investment of their time to be meaningful. Simply stated, competence deals with the head (being able), commitment with the hands and feet (being there), and contribution with the heart (simply being).

In this talent equation, the three terms are multiplicative, not additive. If any one is missing the other two will not replace it. A low score in competence will not turn into talent even when the employee is engaged and contributing. Talented employees must have skills, wills, and purposes; they must be capable, committed, and contributing. Senior executives who wish to build a talent culture should spend time identifying and improving each of these three dimensions.

Conclusion

Talent is not an abstraction. By investing properly, companies receive real value from building better talent, which involves making a series of choices for each of four stakeholder groups—employees, customers, investors, and executives. When HR professionals charged with talent and line managers who are responsible for talent make choices for each

stakeholder, the benefits of top talent emerge. Executives who are willing to invest at least a half-day a quarter reviewing and making specific talent choices bring the rhetoric about talent to fruition. These top companies realize the tangible and intangible value of investing in their people—they get better results, have an engaged workforce that is adaptable to shifting conditions, and ensure customer and investor confidence in their future.



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He has published more than 200 articles and book chapters and 23 books, including the 2010 bestseller “The Why of Work” (with Wendy Ulrich). He edited Human Resource Management 1990–1999, served on the editorial board of four journals, on the Board of Directors for Herman Miller, and on the Board of Trustees at Southern Virginia University, and is a fellow in the National Academy of Human Resources. He has consulted and done research with over half of the Fortune 200. Contact him at dou@umich.edu.



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