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Beware the Talent 'Myth'

Headlines heralding the rapid evolution towards a knowledge-based economy, the exodus of top talent to other countries, and an aging workforce are generating talk of a next wave in the 'War for Talent'.

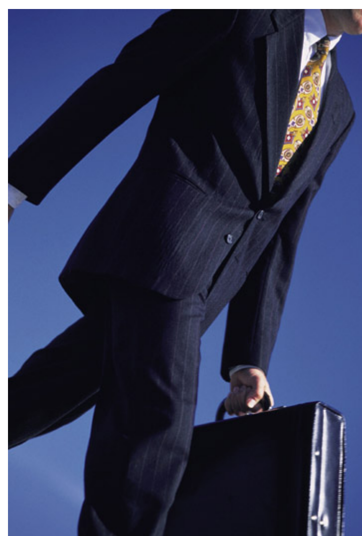
The 'War for Talent' concept was first introduced by McKinsey & Company in 1997, as a result of their landmark study, which found that a deeply entrenched 'talent mind-set' in company leadership was a better predictor of corporate performance than cutting edge systems and strategies.

In their book, The War for Talent, published in 1997 and again in 2001, the authors asserted that success in the modern economy was a direct result of having better talent at all levels of the organization. Hire the best people, and you'll have the best team.

The authors explained that to attract and retain superior talent, an organization needed to aggressively build internal and external talent pools, and to disproportionately reward the company's stars, meeting both their financial and emotional needs.

To identify the organization's stars, the authors suggested that employers begin by sorting their employees into A, B and C groups. The A's (stars), should be challenged and rewarded, the B's should be developed, and the C's should be put on notice to improve or be dismissed.

Once identified, the authors stated, stars should be constantly challenged, and given the opportunity to stretch their abilities through continuous promotion and increased responsibility, exceeding their limits. At the same time, the authors cautioned that the company should be prepared to tolerate the mistakes that go hand-in-hand with the successes.



The principles of the War for Talent struck a chord with many in the business world, and seemed to make perfect sense. Smart people make smart organizations. It also justified the lavish executive compensation packages of the corporate elite, and the premiums placed on degrees from first-tier business schools.

The book hailed several highly successful, leading edge organizations that embodied the talent mind-set. The darling of this new breed, held up as a glowing example of the concept's success, was none other than Enron, where the CEO himself was a former McKinsey partner.

Of course, we know what happened there... or do we really?

A number of theories have been offered to explain Enron's spectacular fall, but none more interesting than Malcolm Gladwell's in the New Yorker Magazine in July of 2002. Gladwell asked the question, "What if Enron failed, not in spite of its talent mind-set, but because of it? What if smart people are over-rated?"

In his article, Gladwell offers evidence that there is almost no correlation between intelligence and actual job performance, and in fact, more often than not, it's the other way around. In many cases, brilliant individuals are often too self-absorbed to work with others and gain the group's confidence, and are too confident of their own intelligence to recognize when their own ideas aren't working. Proponents of Emotional Intelligence principles or Tacit Knowledge theory would agree. An individual's success is dependent upon far more than simply the measurement of intelligence.

Gladwell presents Enron as an organization laden with stars, all moving in different and often opposing directions, being promoted well ahead of their abilities, and allowed to fail (often on a gargantuan scale) with little measurement of actual performance. Gladwell shows Enron to be so enamoured of its own talent mind-set that even the obvious indications of problems were overlooked or ignored, with the anticipation that eventual success was guaranteed as long as the talent requirement was met.

Gladwell suggests that, contrary to McKinsey's findings, people don't make organizations

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smart. Often, in fact, it's the other way around: the system is the star. And many of today's most successful companies, such as GE, Procter & Gamble, Southwest Airlines and Wal-Mart share this 'system-as-star' view. By ensuring the integrity of their systems, they can reduce their dependence on high priced talent, and eliminate the problems caused by human errors.

So what can we learn from this? Trendy concepts should never replace common sense.

There are merits to the McKinsey model, and much of the research is valid, but Enron's failures demonstrate that the talent concept doesn't work in a vacuum.

Companies need stars to create the vision and/or drive the organization forward to achieve its goals, but there must also be a solid, effective system of checks and balances to ensure that those stars work within the scope of the organization's values.

These stars require room to maneuver, but must be provided with a framework in which to perform. Expectations and goals need to be clearly defined and understood by everyone – not just the stars – and then everyone must be allowed to operate freely within that framework.

One of the most useful strategies to come out of the McKinsey research is the tiered HR model, identifying employees as A, B or C performers. This exercise can quickly demonstrate where corporate resources should be applied to improve performance, and bring a new understanding of the company's strengths and weaknesses in its human capital. 'Performance Alignment' experts use this tool successfully to identify where each individual fits, and determine how to move them up to the next performance level, or deal with the issues causing problems.

So how does one attract and retain the best talent - and ensure that they perform to expectations? By rewarding your stars in ways that are meaningful to the individual but reasonable to the organization, providing ample coaching and development opportunities for those who require it, and ensuring that all individuals understand their roles, measured against strict standards of performance.

Finding talent is a critical component of the success formula, but it is by no means the only one.

A professional HR consulting firm can assist your organization to greater success in many ways: identifying areas of weakness in your human resource strategy, working with leaders to align employee performance with the company's goals, identifying and recruiting top talent that fits the company's culture and shares its values, guiding the organization through downsizing, reorganization and growth, and developing long term strategies for moving the company forward through its human capital.

Don't waste your organization's most valuable and expensive asset: its people. Ask us how we can help your organization reach its goals by calling one of our partners at 416-484-8408.

The War for Talent, Ed Michaels, Helen Handfield-Jones, and Beth Axelrod, Harvard Business School Press, 1997, 2001

The Talent Myth: Are Smart People Overrated?, Malcolm Gladwell, The New Yorker Magazine, July 22, 2002

The biggest difficulty with mankind today is that our knowledge has increased so much faster than our wisdom.

—Frank Whitmore

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