MEASURING AND MAXIMIZING THE IMPACT OF TALENT DEVELOPMENT

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If you say the word talent, the images that come to mind tend to include superheroes or world-class artists and musicians. Yet whether it’s these striking pictures of talent, or the more mundane images of people toiling away late at night to meet the urgent deadline, this traditional image of talent does not fully address what organizations need to successfully execute their strategies.

When we talk about accomplishing business objectives and achieving strategic success, the talent embodied in people plays a critical role: Without the contributions of individuals, nothing would ever happen. Yet defining and focusing on talent as head count leaves out other major components of work design that are essential to optimizing organizational performance and achieving strategic success. No one is an island, and that applies in spades at work.

Keeping this in mind, this TD at Work will look at talent and talent development using the systems lens of organizational effectiveness. These are some of the questions addressed in the issue:

• What is a systems approach to talent development?
• How has talent traditionally been defined and measured?
• What do talent and performance look like at the individual and organizational levels?
• How can businesses obtain results through a systems approach to talent?

A SYSTEMS APPROACH TO TALENT DEVELOPMENT

The systems approach to talent development explicitly addresses the complexity of achieving business results. Individual performance depends on a lot more than individual competencies: It requires the right motivation and job design. And looking at performance one person or role at a time (as in traditional talent management) loses sight of how organization design and culture, along with business and HR processes, combine to produce the results. You need both the individual and organizational aspects of talent to come together to produce strategy execution and organizational effectiveness.

Using the systems approach to expand the view of talent has direct implications for talent development. If talent means more than just individual competencies or skills, then traditional talent development tools and programs won’t be sufficient. Talent development has to include what’s traditionally covered, along with an added focus on the organizational level. This added component means developing both individual and organizational capability at the same time, as is shown in Figure 1.

For the purposes of this TD at Work, I use the term individual capability to mean what someone brings to the table to get the job done: the competencies (knowledge, skills, and abilities) that enable a person to do the work he or she is responsible for. The term organizational capability is similar but also distinct—it’s how the organization gets all the work done, across all roles and processes.

It’s important to note that organizational capability is much more than the sum of people’s individual capabilities. For example, innovation is one type of organizational capability. To have innovation, you need the building blocks provided by the competencies of, for example, an engineer, a software programmer, and/or a scientific researcher. Yet organizational innovation cannot be accomplished solely through the individual contributions of people in those roles. You also need the right mix and alignment of organization design, culture, and processes.
The problem with business as usual in the talent field is that we are way too obsessed with people: who they are, what they bring to the table, how their careers evolve, and so on. What’s missing—in a huge way—is the alchemy that combines those individual efforts and contributions so that the whole ends up being greater than the sum of its parts. If we don’t take a look at the big picture—the systems view of talent—we are guaranteed to miss critical pieces of the puzzle that are essential for strategy execution and organizational effectiveness.

EVEN THOUGH COMPETENCIES ARE USED ALMOST EVERYWHERE AS A MEASUREMENT AND MANAGEMENT TOOL, THEY TELL ONLY PART OF THE STORY OF HOW BUSINESS RESULTS ARE ACHIEVED.

THE MEANING OF TALENT

For the longest time, the word talent has been used to describe people and what they can do as individual workers. Economists call it human capital and measure it crudely with formal education and years of work experience.

Although Gary Becker won the Nobel Prize in economics for identifying the concept of human capital and how to measure it, economists have long known that their measurements have severe limitations: Education and experience describe only a small amount of what we need to know about motivation and productivity. Yet economists have never been able to find a better approach because they need measures that can be applied to all jobs in the entire economy.

Management researchers and practitioners, on the other hand, focus on competencies, which are a combination of the knowledge, skills, and abilities needed to perform a specific job properly. The methodology behind competency measurement was developed partly in response to the need for something based on job duties instead of IQ. It is much more robust than looking only at what degree you got in school and the number of years you’ve worked.

Yet the apparent strengths of competencies hide a brittle interior: Even though competencies are used almost everywhere as a measurement and management tool, they tell only part of the story of how business results are achieved.

Understanding all the drivers of organizational performance requires a much broader view of talent than just competencies. The table, Talent: Traditional vs. Systems View, contrasts the traditional and systems views of what talent means, how to measure it, and how to develop it.
Evolution of Talent Defined

When a McKinsey study in 1997 coined the term war for talent, it was a lot like putting old wine into new bottles: The meaning was no different from that of the already well-established labels of competencies or human capital. Talent from that perspective is synonymous with people and skills. If that’s all that talent really means, then we already know how to measure it and manage it.

A second, broader view of talent comes from the more recent development of the term talent management. Talent management most commonly has become an umbrella for organizing and aligning many HR activities that previously were managed in uncoordinated ways. There is no universally accepted definition of talent management. Depending on the organization, it can include recruiting and screening, workforce planning, performance management, learning and development, coaching, feedback, compensation, and benefits.

One reason talent management has become such a commonly used label is because it has long been the case that the different parts of HR that address people’s skill development and career progression need to be better integrated. Compared to the traditional, siloed way of treating people, the new talent management approach promises to address the whole person, their needs, and how they can best contribute to the organization. This helps break down functional silos within HR for more integrated solutions that focus on the range of support people need to succeed.

However, the talent management label has still kept the focus exclusively on the individual, not the systems in which the individual works. That’s not how business processes get optimized in the real world. This approach sets up HR to focus on people issues that often are only weakly related to what the business needs for strategic success.

WHAT'S MISSING—IN A HUGE WAY—is the alchemy that combines all those individual efforts and contributions so that the whole ends up being greater than the sum of its parts.

Moving Beyond the Individual

A key distinction that I make in Strategic Analytics is the difference between HR activities that help "keep the lights on" versus "move the strategic needle." Most of what we do in HR is focused on maintaining current business and people processes: getting people paid on time, filling job openings, doing performance reviews, improving communication and feedback, and creating developmental opportunities for people to grow professionally, among other responsibilities. Each of those activities is essential, but if we stopped doing them tomorrow, business results would suffer greatly. In the vast number of cases, a world-class level of execution is not needed to support these current processes: Doing the work of HR to a satisfactory standard is usually all that the business requires to keep the lights on and operations running relatively smoothly.

Because there is so much work to be done to improve talent processes, it can be hard to know where to start when shifting to an organizational approach. Should we improve coaching by our managers? Should we do a better job of matching developmental opportunities to people’s desired career plans? Should we find a way to better hold people accountable for their performance, with clear signals about the competencies they need? The answer to each of these questions and a dozen more on related people issues is “of course.”

But the problem for HR is that everyone has only so much time and energy to focus on making improvements. If we don’t focus on the issues that matter most for business success, we run a very high risk that our managers and leaders won’t be engaged in what we want them to do and, even worse, the business results could suffer. This could lead to increased budget cutbacks and the