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TALENT MANAGEMENT

HANDBOOK

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Foreword by
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Organizational Culture as a Foundation for Retention

Julie Clow

My great-grandmother worked most of her adult life in a factory. She had a tough life, having emigrated from a charming little town in Italy to a dreary coal-mining town in Pennsylvania. Her husband died young, and she was left to raise three children as a single mother during a time in which single mothers were a novelty. She took great pride in working as a seamstress, and she was very good at her craft.

During her later years, she proudly landed a job sewing intricate lingerie when the Barbizon Manufacturing Company opened a factory in a nearby town. She did such quality work at a high speed that the owner of the factory would personally drive to get her in the morning and drop her off in the evening because it was a long commute to the factory; he wanted to make sure she could get there and back safely. She ended up working there until the factory closed down.

My daughter is entering the fashion industry now, four generations later. She is in the midst of her internship, and her decision-making process about which internship offer to accept came down to:

- What is the brand trying to accomplish, and how does her point of view align with it?
- What kind of a working environment has the company created, and will she work well in that kind of environment?
- What will she learn, and how can she grow through this experience?

I can't imagine my great-grandmother asking these kinds of questions before accepting her job in the factory. She was just lucky to have a job.

The contrast of garment manufacturers in the early 1900s with the fashion industry of today is stark, analogous to many industries that have dramatically changed in the last 100 years, thanks to the Internet and other massive developments. Manufacturing garments is much more scalable and democratic; anyone with an idea can create her own line using globally sourced fabrics, global manufacturers, and global distributors, all of which make the process relatively easy and affordable. The challenge for companies today is not in making products, but in making products extraordinary. In other words, my great-grandmother worked in the Production Era, while my daughter is entering the workforce as the Knowledge Era is in full swing.

At a high level, the fundamental differences between organizations in these two eras is that Production Era organizations required convergent thinking and planning, whereas Knowledge Era organizations require divergent thinking and agility. Exhibit 9-1 outlines how companies defined themselves in these two eras.

Exhibit 9-1. Differences Between Production and Knowledge Era Companies

Early 1900s	Early 2000s
Decide on what you are doing as a company. <i>Example:</i> Manufacture women's lingerie.	Decide on what outcome you are trying to achieve. <i>Example:</i> Empower people through their fashion identifies.
Define how to do it. <i>Example:</i> Develop manufacturing processes for synthetic fabrics and designs.	Define the trade-offs and values that are important to the mission. <i>Example:</i> Create cutting-edge designs authentic to street style in a socially responsible way.
Set up rules and policies to create boundaries for the work environment. <i>Example:</i> Work from 7:30 a.m. to 4:30 p.m. with a one-hour break; follow training procedures and policies.	Establish the kind of working environment you want to create for people. <i>Example:</i> Expose employees to design principles and innovation; empower employees to test designs and ideas in a collaborative environment.
Find people who have the skills to execute on the above. <i>Example:</i> Post job opening for seamstress with 10-plus years hand-sewing and embroidery experience.	Find people who resonate with all of the above and will thrive in the environment. <i>Example:</i> Recruit for range of jobs in design with passion for street style and with portfolios and lifestyles reflecting this aesthetic.

The key to making products extraordinary in the Knowledge Era is to build a company that can figure out what extraordinary means at any given time, and to create products in response to

this. It's about solving old problems in new ways, solving new problems, and solving problems you didn't even know you had. The outcomes are rarely prescribed. When you hire people, you may only know the space you are hiring them into. You may not even know the specific problems you want them to solve. So in this environment of ambiguity, how do you hire the right people, shape them to be productive and to create impact for the organization, and, most important, retain them over time?

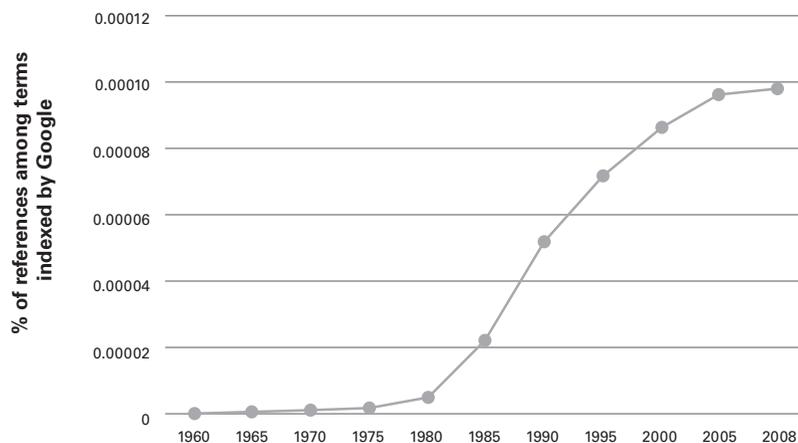
The short answer is to build a strong, thriving organizational culture.

Defining Organizational Culture

Organizational culture has many facets, but at its core, a strong and clear organizational culture keeps everyone pointed in the same direction—to establish coherence, not breed chaos. In addition, organizational culture rallies individuals toward a higher purpose, with meaning front and center to their work. And finally, organizational culture is the day-to-day environment that gets each person out of bed in the morning to join a community of people who motivate, inspire, and help each other to get better over time.

The term *organizational culture* has increased in use throughout the last hundred years. Exhibit 9-2 tracks its rise in the 1960s to its spike in the 1990s. The term has continued its ascent in the new century as the Knowledge Era has blossomed. The two notions are highly correlated, suggesting a connection between the work we do now and the way in which we go about doing it.

Exhibit 9-2. Use of *Organizational Culture* on the Rise Since 1960s



Source: Google Books Ngram Viewer, <http://books.google.com/ngrams>.

Generally speaking, when you walk into an organization and look around, it'll be quite clear if its culture is well defined and healthy. You know it when you see it. But that's not very helpful if you are responsible for changing, improving, and otherwise influencing the culture in your own organization.

Organizational culture might be well defined in the formal sense, but it is also important to consider the less-defined and informal behaviors, or “vibe,” and experience of working at an organization. Just because an organization has its mission statement and values posted on a board does not mean that the organization practices them. It must be clear that the mission and values actually drive people to behave differently.

Employee engagement is multifaceted, much more than the relative satisfaction an employee gets from his day-to-day work or even compensation. Employee engagement is also influenced by quality of relationships, sense of purpose, alignment of values, work-life balance, degree of personal control, leadership styles, and many other factors (Wildermuth and Pauken 2008). While organizations cannot understand and satisfy each aspect of engagement for every employee, they can focus on shaping an organizational culture that creates conditions for a wide range of employees to find long-term satisfaction and a sense of belonging. Competing to attract talent and then retaining it is about considering the entirety of each person's life—both in and out of work—and creating a cohesive set of organizational practices to support this.

Here is an attempt to define both the concrete and more ambiguous aspects of organizational culture, and to link these to their impact on retention. This set of organizational culture components can serve as a good starting place for any organization wishing to assess, define, improve, and shape its culture and retention strategies.

Mission and Values

The mission and values of an organization together create a shared understanding of what the organization is trying to achieve and how employees should go about trying to achieve it. No one formula exists for creating the mission and values, but they are formal and defined aspects of an organization's culture that convey a sense of purpose and meaning, not only for employees but also customers.

The mission defines the direction of an organization and, to some extent, implies what the organization will do and what it will not do. If it is too prescribed, it can limit the imagination and innovation of employees; if it is too generic, referencing things like “increasing shareholder value” or “becoming best in industry,” chances are it won't inspire anyone.

The best mission statements are written in a way that suggests the problems the organization is interested in solving (Clow 2012). For example, Facebook's mission is to “give people the

power to share and make the world more open and connected.” This is the essence of all of their business pursuits, which might take many different forms through the years. It provides clear direction to both employees and end users and serves an aspiration that is never truly solved, but is one worth trying to solve.

Values are an important complement to a mission statement in that they define specific behaviors and principles with which the organization wants to lead. Values help the culture to take shape, infusing the everyday environment with the way in which employees should and can act. For example, one of the 10 values of the online shoe retailer Zappos is to “create fun and a little weirdness.” This value creates explicit permission for employees to make the work environment fun and to be themselves, no matter how weird they may be. Employees clearly understand that Zappos isn’t about having a formal, serious work environment.

The mission and values can come in any form. Some companies create a vision statement, others an official mission statement. There are company values (Zappos), leadership principles (Amazon), manifestos (lululemon athletica), and even statements of “Ten Things We Know to Be True” (Google). Regardless, the mission and values provide a deliberate definition of what an organization wants to be and thus bring focus to the workplace, which should then inform and provide consistency and direction for its products and outputs.

If the mission and values are not clearly stated, employees may have a difficult time understanding the meaning of their work. Alternatively, if the mission and values are written, but not compelling or out of alignment with the reality of the organization, employees may become skeptical and cynical about the leadership of the organization. In some cases, job candidates and employees may find that the mission and values don’t really resonate with their personal values. It is better that individuals self-select out of joining an organization (or choose to leave) than deal with low-performance issues.

However, when the mission and values are clearly stated and aspirational, individuals can connect to a higher sense of purpose. Tammy Erickson (2011), in her research on evolving organizations, states that focusing on connecting the organizational values to the everyday work experience creates meaning, which is highly motivating to employees and more pervasive than simply relying on money as a motivator. In her words, “meaning is the new money.” Meaning, therefore, becomes an important tool for retention when the novelty of working for an organization and the excitement of a new job wear off.

Products and Style

When you purchase any Apple product, whether an iPhone, MacBook, or even an adapter, the experience of opening the package is almost magical. The bag, the outer wrapping, the box,

the compartments, and the package design all evoke sleekness, precision, and simplicity. Apple products are strongly indicative of the organizational culture. Design is at the core of the company, and attention to detail is critical.

The decisions an organization makes about its products say everything about what is important to the organization. Take Costco, the warehouse club, as another example. When you shop at Costco, you are not shopping there for its variety of selection. In fact, there may only be one or two brands for any product, which is by design. The company sources the best deals and narrows the selection to maintain the best prices for the customer. The warehouses aren't fancy, but they are huge to accommodate the range of products, from fresh meats to electronics to furniture.

Both Apple and Costco have clearly developed products and styles, both of which provide context about their respective cultures, which in turn helps determine what kinds of employees might thrive at the organizations.

For example, a software engineer who is obsessive about user interfaces and design would find the Apple environment refreshing and comfortable. Conversely, a software engineer who loves to think about building system architecture at a huge scale might find Google to be a better employment proposition. Software engineers, and individuals in any other vocation for that matter, are not necessarily interchangeable. We all thrive best in environments that play to our interests and strengths, and we are more likely to stake a long-term career in an organization that aligns with our personal sense of style and aesthetics.

Colleagues

Who works at the organization? What are their backgrounds? Do they hold each other accountable? Do low performers “thrive” in the organization? Do employees like each other?

In the Knowledge Era, one of the most important drivers of success is people. Focus Consulting Group conducted a 2010 survey to determine the drivers of success and failure for asset management companies during the financial crisis (Ware 2010). It compared companies that fared the best through the crisis (“thrivers”) with companies that merely survived (“survivors”) or completely failed (“divers”). The one surveyed company that failed (the diver) scored the lowest, at the 2 percentile of all companies surveyed, on the metric “we have the right team members to accomplish our goals.” Notably, participants still scored this company highly on clarity of mission. Even with solid direction, a company can't thrive without the right people on board.

Beyond the obvious implications of finding employees with the right skill set to create the products and outputs, at any given moment in time, the overall size, mix, and type of employees affects:

- the everyday social experience of showing up to work and interacting with colleagues
- the ability of an organization to recruit new employees to join the current mix of employees.

Both are vitally important. Relationships at work are a huge driver of engagement, which is why Gallup includes the item “I have a best friend at work” as part of their Q12 engagement survey. In addition, potential job candidates will be looking to understand whom they will be working with, whom they can learn from, and how well they resonate with individual personalities on their team, as well as the overall social environment. Relationships can make or break someone’s decision to join an organization, and they can also drive people to stay with or leave an organization.

Thus, it’s important to carefully define a culture so prospective employees can be evaluated against these values and behaviors, but also so that they can self-select into the culture if it resonates with them. The better you do at selecting the right people, the higher the likelihood they will stay with the organization in the long term.

Workplace Vibe

When you walk into an office space, the sights, sounds, people, desk and office arrangements, decor, and social patterns can all be summarized into an overall vibe. Workplace vibe can be formal, casual, carefree, fun, serious, academic, intense (or tense), pressure filled, fear based, or driven. An organization can deliberately shape some aspects of workplace vibe through its office design, and this should be consistent with the rest of the culture. But the colleagues who fill the workplace play just as large a role in how a workplace feels.

Starting with reception, what does the space look like? It is decorated to impress, or is it designed to look cozy? How does the receptionist greet visitors?

Once inside the offices, what is the office layout—open and airy, lined with offices, or stuffed with low or high cubicles? Are people talking and congregating in social spaces? Do people seem to be having fun? Is there a buzz of activity, or are people quietly content in their own spaces?

Do people show up early or late morning? At the same time or staggered? Do they eat lunch together in the office, go out together, or eat at their desks? Do they leave early, or do they work late? Do they spend time chatting at the end of the day when they drift toward the exits and elevators?

Are there a lot of meetings? Do teams gather for stand-up scrum meetings? Are there town halls, presentations, and learning events going on? Do people take breaks to socialize and play games such as ping pong or chess?

When I worked at Two Sigma Investments, its mission revolved around reinventing investment management. In addition, the culture was based around the mantra “Be the Best Place for Nice Geeks.” This is the environment it strived to create, and the mantra also described the type of colleagues it wanted to attract. Every day at work, I could feel this vibe. We ran grassroots employee-driven learning events almost every day. Colleagues would play chess or Connect6 during their lunch breaks. The offices were designed to feel bright but slightly unfinished—polished concrete floors and exposed pipes were typical of the architecture, a deliberate departure from the overwrought, overpriced design of a typical investment management firm. Although there was an open floor plan with no cubicles, people would huddle in conference rooms so that there was relative quietness in most areas, appropriate for the largely introverted employee population. But there was definitely a niceness to the place, a sort of academic feel. While the office design had much to do with the vibe, it was truly the employees who made the vibe come alive and thus feel authentic and aligned to the organizational culture.

Arie De Geus (2002) conducted a survey of large companies that have survived decades or even centuries. He was interested in understanding the success factors of organizations that figured out how to survive many eras of change and generations of leaders. One of the four common factors that emerged was “cohesion and identity,” described as a “company’s innate ability to create a community and a persona.” In other words, employees of these very big companies, no matter how dispersed, felt they were all part of one entity, which was key to weathering the generational ebbs and flows of employees and industry changes. In addition, these companies were able to retain managers who progressed into leadership roles in the organization, another key to maintaining a sense of coherence.

The vibe of a company is exactly that—the sense of cohesion among employees of an organization, regardless of role or level, which in turn, contributes to the development of the work community and overall company mission and values.

Communications

The frequency and tone of internal communications, as well as the number of people who participate in organization-wide communications, play a big role in connecting people to the mission and purpose of an organization. If company communications are few and far between or if they reek of “spin,” employees will inevitably attempt to fill the communications void with some mix of gossip, conjecture, and assumptions, which are rarely positive.

In some industries, there are regulations that prevent fully open and transparent communications, and in some businesses, intellectual property prohibits full transparency. However, outside of these very real constraints, corporate communications (formal and informal, top down, and employee driven) can create a sense of community and connectedness. Communications

reinforce the organizational goals and strategy, and the tone of communications contributes to the overall workplace vibe as well.

The most important guideline about communications is that it happens frequently. Researchers at MIT's Human Dynamics Laboratory have shown across multiple studies that highly effective teams engage in consistent and frequent communications involving roughly equal participation by all members, as well as significant communications beyond the immediate or core work team (termed *exploratory communications*) (Pentland 2012). Thus, communications should come from formal channels, but they should also be enabled across the organization to facilitate communications within and across teams at the grassroots level.

The tone and style of both internal and external communications should match the organization's values and products—creating consistency and alignment between the other cultural components and communications. If a core value cites fun, communications should likely have a more casual tone with comedic elements sprinkled in. If, however, organizational culture is about quality and precision, communications should follow suit and take on the requisite tone.

Agency Versus Process

Every organization needs some degree of process to create consistency and align decision making. But too much process stifles creativity and innovation. The right amount of process depends a lot on the industry, risk environment, and regulations. Technology companies are well known for environments in which individuals have great freedom to experiment and even break things in the name of innovation (agency). In contrast, the healthcare industry requires regulations, which can be the difference between life and death (process).

Because innovation is so important to the success of businesses in the Knowledge Era, it becomes important to push the boundaries of agency to enable individuals to take initiative, think big, and find ways to improve the organization one task or one product at a time. Spotify, an online music service, produced and published online videos addressing this very conundrum (Harasymczuk 2014). Within its engineering culture, Spotify spends a lot of time debating the “minimal viable bureaucracy,” which is that delicate balance between chaos and bureaucracy. It recognizes the perils of both extremes (inefficiency and wasted time), so it works to find processes that create just enough structure to reap the benefits of economies of scale without overburdening people with processes that don't make sense.

The degree to which individuals can manage their own time, make decisions, feel ownership over work, and take initiative defines an important backdrop to organizational culture. Despite the sense that this is a new movement spurred by the management innovations of start-up technology companies, high-involvement work environments have been studied and discussed for

many decades. Philip Runkel (2003) outlines many organizations that produced greater quality, productivity, and employee happiness when they reduced the amount of process and increased the degrees of freedom individuals could express in their work. Ultimately, the greater the sense of autonomy, the greater the sense of personal fulfillment in a job, which is an important factor in retention.

Rewards and Growth

The ways in which an organization recognizes and rewards its employees have major implications for the organizational culture. Consider one environment in which rewards are strictly based on the employees' own results and performance, irrespective of team or organization-wide performance. Employees are encouraged to work hard and be entrepreneurial in their roles, but in this environment they may not extend any effort toward optimizing their performance for their team or the larger organization. Now consider an environment in which rewards are based strictly on team performance. Employees may be encouraged to collaborate, but the environment may also create diffusion of responsibility, thus removing the incentive to put in that extra bit of effort.

The best choices for rewards depend greatly on the specific industry, business model, and desired organizational culture. Some organizations may find great benefit in focusing on individual incentives, though most organizations will generally have a blend of reward factors combining individual, team, and organizational performance along with some measure of how an employee achieved those results (for example, did the employee achieve results consistent with the organizational values?).

Similar to rewards, growth opportunities will vary widely and reflect an organization's culture. Growth opportunities include learning and training opportunities, mentorships, project work, expanded or new roles, experience on new teams (perhaps in a different part of the organization), shifts to management or leadership roles, promotions, and even moves to a different office or location. Growth opportunities may be granted based on tenure, performance, politics (who you know), or perceived potential. Growth opportunities are a form of rewards, and similar to the rewards component, the organizational culture shifts in response to how growth opportunities are granted to individuals over time.

Choosing the right rewards philosophy and growth opportunities for an organization requires understanding not only what will best align with the organizational culture, but also what will be the holistic needs of employees attracted to the culture. When individuals are happy in their roles and have confidence there are opportunities to grow into larger roles with a positive upside in overall rewards, the probability of retaining them is much greater than in organizations that offer very little in the way of growth prospects.

If compensation is too low, employees may choose to leave for an opportunity elsewhere. However, over a certain threshold, compensation alone isn't enough to motivate employees (Chamorro-Premuzic 2013). This is why a more holistic view of rewards and growth opportunities is important for creating stronger incentives for employees to stay at an organization.

Generosity

It may seem strange that generosity is part of organizational culture, but this is increasingly becoming an important part, because generosity begets more generosity. Researchers have found that individuals who demonstrate behaviors for the common good tangibly influence others to do the same. In other words, generous behavior cascades in human social networks (Fowler and Christakis 2010).

Generosity can mean many things. It can be how much an organization and its employees contribute to social and community initiatives (social responsibility and giving), what perks are provided to employees, or how freely colleagues give their time to each other.

Perks have become the central focus in discussing organizational culture (as well as the cause for talent wars in the technology sector), but perks don't define a culture. What defines a culture is what an organization provides to employees to help them best integrate their personal and work lives for long-term sustainability.

Google seems to be the gold standard for great employee perks, offering everything from three free (gourmet) meals a day to onsite services and facilities (gyms, pools, car service, dry cleaning, and laundry) to plenty of ping pong tables to events with beer and wine. However, having worked there, I can attest that the intent behind the perks was not to spoil employees, but rather to help employees seamlessly and easily blend their personal and work lives.

Not every organization can or should provide perks as elaborate and expensive as the ones Google does. In fact, touting organizational culture as a sum total of beer kegs and ping pong tables should be a warning sign to potential employees. Perks should be thoughtful and should be a clear extension of the organizational culture. As a Google employee, I felt authentic generosity from the organization, which inspired me in turn to be generous with my time and efforts.

Vertical Turbine Specialists, a manufacturing company based in Lubbock, Texas, is another great example of an organization that has demonstrated generosity to its employees in a thoughtful way (CrossFit 2012). In 2005, they noticed recurring injuries due to the hard labor requirements of the jobs. They brought in a chiropractor for four days a week, free of charge, to address the injuries. When they moved the manufacturing facility 40 miles from their original location, they started offering free Zone Diet lunches to all employees to compensate them for the gas prices

and longer commute. Finally, they started offering free CrossFit classes in their facilities to build strength in functional movements, which was fundamental to safety in the heavy-lifting jobs in the facility. Their health insurance premiums (free for employees) have plummeted due to the holistic attention to health and wellness for all employees, and productivity and quality have gone up as a result. The most remarkable result, however, is the clear sense of loyalty the owners have toward the employees, and vice versa.

Beyond the organization-employee relationship, it's also important to note the degree of generosity between employees and the ways in which employees offer help to one another. At Two Sigma Investments, one of the key ways employees served each other was through teaching. The community-based learning programs made it easy for all employees to teach a class, give a presentation about their work, host a brown-bag talk or external speaker, or organize game nights. Because the organizational culture placed learning as a core value, the generous spirit of teaching in the organization was a testament to that value being authentic and real.

Strong Culture, Strong Retention

As noted, there are few right and wrong answers to creating a unique, authentic organizational culture. It depends greatly on many factors, including such elusive aspects as the personality of the founders and current leaders, as well as the history and heritage of the company. In addition, it should be shaped to meet the needs of the organization's mission, products, and goals.

In any case, the sum total of an organization's culture is inextricably linked to retaining its employees. If organizational culture is ill defined or fractional, employees' sense of purpose and meaning will be compromised. Ambiguity also makes it difficult to recruit the "right" employees—those who get the culture and would thrive in the environment espoused by the values. Likewise, if organizational culture is clear but toxic, employees won't be inspired to join or stick around.

The best-case scenario is to create a clear, authentic organizational culture, which makes it easier to attract individuals who feel a sense of belonging with the organization and are more likely to stick it out with an organization through both lean and successful periods. It's about shaping a culture in which people want to work. It's going to take more than a ride to and from work these days to retain employees.

Shaping Organizational Culture

Who is responsible for shaping organizational culture, measuring it, and teaching it? In reality, the answer is everyone in the organization. Every individual should feel responsible for nurturing, shaping, advancing, and teaching organizational culture to each other. Leaders must talk about

culture, help define culture, and inspire people to live the culture. The actual behaviors of individuals is the final determination of whether the espoused values are, in fact, the culture of the organization.

Talent management and HR professionals must consider how every program, initiative, communication, and action reflects, reinforces, and extends the organizational culture. They may, in fact, be responsible for helping to articulate the organizational culture, create artifacts of the culture, and weave in culture-building exercises as often as possible.

Though there are many ways in which talent management and HR professionals can, and must, contribute to organizational culture, here are some key areas of focus.

Recruitment. Find people who resonate in and with the organizational culture:

- Include culture-related assessments in the interview and recruitment process, and hold interviewers responsible for assessing for culture fit.
- Source from pools of candidates that reflect important elements of the organizational culture.
- Expose candidates to a wide spectrum of employees, activities, and workplace facilities to give them a clear perspective of the organizational culture.

Rewards and benefits. Invest in high-impact benefits, perks, and employees most aligned with the organizational culture:

- Design performance management and compensation systems that reward based on impact and cultural values.
- Thoughtfully select and deploy benefits and perks that support, shape, and create the right environment (not just to compete with the perks of other organizations).

Learning and development. Model and reinforce the organizational culture at every opportunity:

- Ensure that every program reflects the organizational values and behaviors by employing frameworks and models that reference the values and organize principles in similar ways.
- Design and develop programs, materials, marketing, and communications to look and feel like that of the organizational culture.
- Create a range of programs and opportunities focused on growth, and reference the link between programs and developmental growth in the organization.

- Offer a wide array of channels and opportunities to enable each employee to contribute to colleague development, such as informal mentoring or teaching.

Every organization should have its own distinct culture that represents its history, people, and keys to success. This doesn't mean that organizations with a distinct culture are perfect. They aren't, and they never will be. Every organization will have things it is proud of and dysfunctions it can't seem to shake. But an important mission of talent management professionals is to traverse this never-ending journey to shape and foster organizational culture intentionally, and then to recruit people who “get” the culture and can thrive in it—the ultimate formula for long-term retention.



About the Author

Julie Clow is the senior vice president of global people development at Chanel. Prior to Chanel, she worked at Two Sigma Investments, a forward-thinking investment management company, as the head of organizational and people development. She also worked at Google, focusing on team effectiveness, leadership and management, and organizational culture, primarily for engineers. During her tenure, she discovered the power of freedom and autonomy for creating a thriving workplace, which served as the inspiration for her book *The Work Revolution: Freedom and Excellence for All*. She has been featured on CNBC, in *USA Today*, and in other business publications for her ideas on work and how to make it better. She received a PhD in psychology and started her career as an instructional designer producing custom training solutions for large-scale clients. You can connect with Julie on Twitter at @clowjul or by visiting workrevolution.org.

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