



MoneyBall, talent wars and decision analysis:



Key Words

Talent management; strategic logic; problems with best practice; decision analysis; business challenges; resourcing; leadership assessment and development; succession management

the shifting agenda in talent management

"If they zig, I zag."

Billy Beane, GM, Oakland Athletics

Winning and losing the “war for talent”

There is a “war for talent”. But it isn’t a war that will be won by adopting supposed “best practice” or applying the misguided prescriptions that dominate the consulting industry.

The “war for talent” will be won by those organisations who are prepared to defy conventional wisdom, not in any idiosyncratic manner, but in a way supported by the power of robust analysis and decision making.

“Moneyball” is the story of how a poorly funded baseball team outperformed its better resourced rivals, by rethinking its beliefs about talent. This article explores how, by questioning much of what is assumed to be best practice and applying critical thinking, your organisation can win the “war for talent”.

“You are neither right nor wrong because the crowd disagrees with you. You are right because your data and reasoning are right.”

Warren Buffett

MoneyBall and how a poorly funded baseball team outperformed its better funded rivals

In 1999 the Oakland Athletics ranked 11th out of 14th in the US baseball league in payroll, but was 5th in wins. By 2002, total payroll was only 12th in the league, and they were 1st in wins.

How did they do it? The assumption was that only big money teams could survive and succeed because only the big money teams can afford the big money talent. But the Oakland A's, despite having one of the lowest player budgets, kept winning.

As Michael Lewis¹ recounts the story in “Moneyball”, the Oakland A's out-gunned their more prosperous rivals by defying the conventional wisdom, particularly in the evaluation of players. General Manager, Billy Beane, recognised that the accepted measures of player performance - critical to the process of scouting and recruitment - were flawed. And he put in place a system of finding the talent that other teams didn't want, and without spending too much money.

Interestingly, Beane's own approach to player evaluation was based on his own personal experiences. A top high school prospect, Beane was pursued by baseball scouts who loved him. “Beane had it all. He was fast, he was tall, he was strong...and that face.” Beane was destined to be a baseball legend.

But there was one problem. Beane didn't play baseball very well. Once in a while he would do something sensational, but most of the time, he under performed. Beane recognised his shortcomings as a player and bowed out to become a serious analyst of the game. His focus: what is the most efficient way to spend money on baseball players?

¹ “Moneyball: The Art of Winning an Unfair Game” Michael Lewis

MoneyBall and how a poorly funded baseball team outperformed its better funded rivals

With no money to attract the star players, the “A” players who could command millions of dollars, Beane had to find a way of identifying those talented but under-valued players, the prospects who were being ignored by the professional scouts. Helped by Harvard economics graduate, Paul DePodesta, who pored over statistics on the internet, Beane accumulated and analysed a mass of data about objective performance, the detailed information about player performance and contribution to team success that other teams were ignoring. In the process he “punctured the countless myths about what was important to winning at baseball”.

Beane’s new metrics, for example, that getting the baseball into the field of play was statistically more significant than hitting home runs, created a new logic in determining team productivity. It was the strategy of “crunching the numbers” that helped the Oakland Athletics sign up those high potential players who were undervalued by scouts and coaches of the other teams (and avoid signing up those expensive but over-rated players).

Beane assembled a team stocked with the most promising players at the lowest rate. The outcome: by 2002, a winning team.

Why did this approach do so much better than the seasoned professional baseball executives and coaches, the majority of whom lived and breathed baseball, who watched hundreds of games, and rewound and fast forwarded video after video of player performance? Lewis suggests three reasons:

- the scouts who had played the game over-generalised from their own individual experience. What had or hadn’t worked for them personally as past players became their blue print of success
- they were overly influenced by recent performance even though recent performance is a poor guide to predicting excellent performance in future
- they relied on what they saw (or thought they saw) and missed the dynamics of which players in fact contributed to overall team success. The scouts “knew” the best players because they conformed to a stereotype of what a promising baseball player should look like. But Beane, utilising his objective metrics, was unimpressed by the factors of intuition and gut feel

Lessons from Moneyball

Smart thinking beats big resources

If your organisation has a limited budget to allocate to the attraction and recruitment of the “best and brightest” talent, don’t despair. It might force you to rethink your resourcing strategy and find more imaginative ways to bring talent into your organisation. Conversely, a large budget can foster complacency, the kind of lazy thinking that can bring talent as and when it is needed at whatever salaries are demanded. But it may be the “wrong talent” at inflated rates.

If you’re doing what everyone else is doing, you will get what everyone else is getting

But if you challenge the prevailing assumptions you will find ways to do things much better than they are currently done. Exceptional results require the willingness to over-turn conventional thinking and do things very differently to your competitors. As Beane said of his rivals, “If they zig, I zag.” There is a risk, but risks are managed through critical analysis of the objective data and robust decision making.

Objective analysis out-trumps human judgement

The professional baseball scouts knew the game and the attributes of player performance. But they were wrong. Their flawed evaluations only became apparent under the critical scrutiny of assessing the “right things in the right way” and applying statistical analysis.



Winning and losing the war for talent

McKinsey's "war for talent"

In 2001, McKinsey consultants embarked on a review of best practice in talent management. The research aim was to determine how successful companies "build a strong pool of managerial talent, how they attract, develop and retain people and build a pipeline of younger talent to progress to more senior positions." The results: a summary of best practice that organisations could implement to transform the way in which they managed talent.

"The War for Talent"¹ became a kind of bible to many HR professionals looking for ways to mobilise talent within their organisations. It should have been a parallel of Billy Beane's experiment in rethinking the dynamics of talent in baseball.

It wasn't.

"The War for Talent" did remind organisations that individuals make a big difference and **some individuals make a bigger difference than others**. This now seems obvious. But in the egalitarian culture of today, "talent wars" made it clear that not only are we not equal, but we are more unequal than we might like to think. This is an echo of the Pareto principle, the 80-20 law, that 20% of your employees probably account for 80% of your organisation's profitable performance, and 20% are responsible for 80% of the organisation's problems. The message: to know who your best people are, to understand them, to ensure they are maximising their effectiveness, and to retain them, seems at one level, pretty obvious, but it was a message that many firms had neglected.

"The War for Talent" also served as an acute reminder to organisations of the need for **greater honesty in performance review and appraisal**, to differentiate employee contribution, to confront under-performance and to recognise and reward superior performance. It focused attention on the obvious fact that failing to address under-performance represents a dangerous dynamic with the potential to threaten the future of the organisation. Apart from the obvious threat to competitiveness, under-performing employees pull expectations and other employees down and they drive out the high performing individuals.

¹ "The War for Talent" Ed Michaels, Helen Handfield-Jones, Beth Axelrod

McKinsey's "war for talent": the backlash

There is no doubt that "The War for Talent" set an agenda for new thinking but there were reasons to be wary of the McKinsey prescription. As early as page four of the "bible", the definition of talent looked positively suspect:

Talent is defined as *"the sum of a person's abilities, intrinsic gifts, skills, knowledge, experience, intelligence, judgement, attitude, character and drive. It also includes the ability to learn and grow"*. In summary, talent seems to be an aggregation of everything. But when a definition covers everything it is about nothing in particular. Undeterred by this loose definition, the authors of "The War for Talent" point out that *"you simply know it when you see it."*

This seems to be the opposite of most people's experience. It is true there are probably a handful of obviously exceptional gifted individuals performing at an extraordinary level of performance whom everyone considers to be outstanding talent. But you don't need a talent management process to identify them: they stand out in a prominent way. There are other individuals who obviously just aren't making it. With organisational honesty they can be identified and addressed. Most of the time, there are most people, who some of the time perform at extraordinary levels, some of the time struggle to make an impact. This seems to be the key challenge of a talent management programme: **to be insightful in identifying and developing the "non obvious" individuals to optimise their contribution.**

But much of the criticism¹ of "the War for Talent" was undoubtedly the identification of Enron as an exemplar of excellent talent management practice. It wasn't simply the incongruity between Enron as a first mover in innovative talent management and the fireworks of its business failure. It was that **its talent management philosophy and adoption of the McKinsey best practice prescription was seen as an important factor in explaining Enron's downfall.**

¹ See Malcolm Gladwell's summary at:
http://www.gladwell.com/2002/2002_07_22_a_talent.htm
Also Pfeffer's summary at: <http://faculty.washington.edu/janegf/warfortalent.html>

Enron's War for Talent

"We found at Enron, as well as other companies we studied, a pervasive belief that performance and competitiveness are achieved with better talent"

Ed Michaels et al, 2001 "The War For Talent"

Thanks to CEO, Jeff Skilling's McKinsey past, Enron implemented in full the five tenets of talent management:

Developing a talent mind set, the sensible belief that people make a difference became **an obsession that individual contribution is the driver of business success. For Enron, whatever the "smartest guys in the room" touched would turn to business gold.**¹

Creating an employee value proposition should be the review of current employment practices to build an environment in which talent can flourish. For Enron it created a **"them and us" culture in which the "super stars" flourished and others were ignored**

Rebuilding the recruitment strategy is proactivity in the search for talent at every level. For Enron it was a resourcing plan to **buy in the "best, bright and beautiful" at inflated salaries that undermined continuity of culture and purpose"**.

Accelerating the development of talent is finding imaginative ways to test and stretch emerging talent. In Enron it resulted in the **over-promotion of inexperienced individuals who got out of their depth and simply weren't up to the challenge**

Differentiate and affirm your people could have led to greater honesty in rewarding superior performance and tackling performance problems. Instead for Enron it created a **"rank-and-yank" performance management strategy played out in talent reviews that became known as the "pit of vipers"** fuelling suspicion, self-seeking behaviour, a breakdown of trust and ultimately corruption.

¹ "The Smartest Guys in the Room: The Amazing Rise and Scandalous Fall of Enron" Bethany McLean & Peter Elkind

But the war for talent goes on

The war for talent hasn't gone away. Indeed it has intensified. The combination of demographics (an aging workforce due to shortly retire and a shrinking supply of youth), educational decline and skills gaps, the impact of globalisation and the emergence of new international competitors has, in the words of one analyst, created "the perfect storm"¹ Unsurprisingly the war for talent is giving CEOs sleepless nights².

But many organisations are continuing to draw on flawed strategies in this battle. This isn't about the excesses of Enron's approach to talent management. For the most part it is about a missing "strategic logic".

- **Buy in and bribe** is the strategy that acquires talent in the external marketplace with money as the key weapon. Acquisition and retention of the "star players" is the goal. But buying in external candidates at market premium and shovelling more money at them when they get restless is an expensive and high risk resourcing strategy.
- **Fads and fashions** and pursuing whatever "best in class" organisations are doing. Why for example, did so many organisations implement the "20-70-10" performance rating system between 2001 and 2003? Because Jack Welch had extolled its success within GE in his 2001 book, "Straight from the Gut". But what worked for GE, spectacularly didn't work for Enron, and won't necessarily work for your organisation.
- **Treat everyone the same.** This is the response to the dislike of elitist talent programmes. Because all employees are important, it is unfair to treat some of them differently. In the interests of fairness and equity, talent management then becomes a "sheep dip" approach in which everyone gets everything (or no one gets anything).
- **Process engineer talent out.** If we can't compete in the talent battle, then perhaps we should nullify the threat. The first option is to redesign roles through the implementation of technology to minimise the people factor. The second option: utilise outsourcing to move talent on to partners and suppliers. Both are valid tactics in improving organisational efficiency, but neither, if undertaken through a failure to think strategically about talent, will build the breadth and depth of leadership capability to sustain long-term success.

¹ Tim Phoenix et al, Deloitte Consulting LLP, 2007

² Economist Intelligence Unit, The CEOs role in Talent Management, 2006

Decision analysis and the winners of talent wars

The war for talent will be won by organisations who understand strategic logic and apply decision analysis. This is talent management as:

- thinking strategically about shifting demand and supply for the distinctives of your organisation
- going beyond general competency models of performance to pinpoint the specific drivers of exceptional success
- identifying where in the organisation an investment in talent will make most strategic difference
- establishing rigour in your processes for the attraction, recruitment, deployment and development of talent

"I value the hard work of HR, but I worry that our organisation may not know which talent issues are the important ones versus which are mainly tactical. I know how to answer that question in Finance, Marketing and Operations. I'm not sure how to do it for talent."

Quoted from "Beyond HR: The New Science of Human Capital", John Boudreau & Peter Ramstad

THE SHIFT WITHIN THE HR COMMUNITY

There is a shift occurring within the Human Resources community, a change that has already taken place in other disciplines. Finance and Marketing experienced the same evolutionary process in establishing their professional reputation and strategic impact. It is the shift towards **decision analysis**. For HR this involves:

- developing **business frameworks** with a logic to connect "cause and effect". This is about designing a robust model that links talent activity to strategic outcomes
- establishing a consistent approach based on a **shared understanding of key principles** and building consensus about the causes and consequences of talent and performance
- **utilising data and analysis** to measure and evaluate activity and outcomes and move towards evidence-based practice about what does and doesn't work
- recognising how to **integrate metrics** within management planning and decision making systems to ensure "joined up thinking" about the optimisation of talent resource throughout the organisation
- **contributing to the strategic debate** to shape decision making and align talent management priorities within long-term organisational goals

¹ "Beyond HR: the New Science of Human Capital" John Boudreau & Peter Ramstad

A tale of a Finance Director and a H.R. Director

Monday morning and it is the first day at the office for two recruits:

The new **Finance Director**, is spending the morning with two of her most senior team.

She pulls down the current management accounts and her expert eye scans through the figures, taking in the pattern to review trends and spot any anomalies. Occasionally she scribbles down some notes, but for the most part, she is getting to grips with the material easily. She knows that her first Board meeting is on Friday and it is important that she provides an authoritative grasp of the company's financial position. So every now and again she asks for more information and one of her colleagues at the PC clicks a button to drill down into more detailed analysis – by region, by product – to interrogate the data and highlight specific issues.

After four hours she congratulates her colleagues on their good work, impressed with the speed and efficiency with which they've worked. Although there are a couple of issues to be checked and double-checked, she feels confident she is on top of the organisation's financial status. Overall things look fine but there are a couple of worrying indicators she wants to explore with the Operations Director in advance of Friday's debrief.

Further down the executive suite, the other new recruit, the **HR Director**, is having a bad morning. He knows that on Friday afternoon there is a planned update to the Organisation and Management Review.

Although there is no great pressure he still wants to make a strong impression to establish his credibility. By Monday afternoon however he is worried. "The trouble is there is no data," he says to his PA. Unlike his new counterpart in Finance with access to a standard set of print outs, following agreed conventions and all familiar to the Board, the HR Director knows he has nothing to work with. There is no financial equivalent of the "succession plan". Instead his PA has pulled out a few charts dated from last year. Glancing at it he sees that the structure is hopelessly out of date and that many of the candidates named as potential successors have either left or been moved sideways. "Could we pull down the data for the top 100 exec's?" he asks. She disappears to return 30 minutes later, holding armfuls of folders. "This is mainly CV stuff, but I do know that the exec's went through an individual assessment exercise last year with an external consultancy. The trouble is I don't know where the reports ended up."

The HR Director knows he will have to "wing" it on Friday.

The talent management agenda and strategic choice

The new talent management agenda doesn't start with how best to implement progressive practices and programmes, however successfully they may have been implemented in other organisations. All that glistens is not gold in the world of benchmarking and best practice¹. A robust talent management agenda begins with a game plan based on:

A **clear insight into your organisation's strategy and what capabilities it needs to succeed**. The talent management question is not: "how can we build world class leadership"? This is vague and meaningless. As Michael Porter continually states: "Strategy = tradeoffs. Its about making choices." And it is these strategic choices that will differentiate you from your competitors and shape an agenda for talent management that is prepared to do things differently to your rivals.

Decision analysis helps ask and answer the questions:

- given our strategy how will our leadership and professional talent need to be **different** to our competitors?
- which leadership themes will have **most impact** in achieving and sustaining strategic success?

"Without focus, the resources and energy of the organisation will be spread a mile wide and they will be an inch deep. If you are wrong you will die. But most organisations don't die because they are wrong; most die because they don't commit themselves."

Andy Grove, Intel

¹ <http://www.criticaleye.net/review/pdfs/1502.pdf> for a summary of the problems of benchmarking and best practice

Strategic choice and Business Challenges

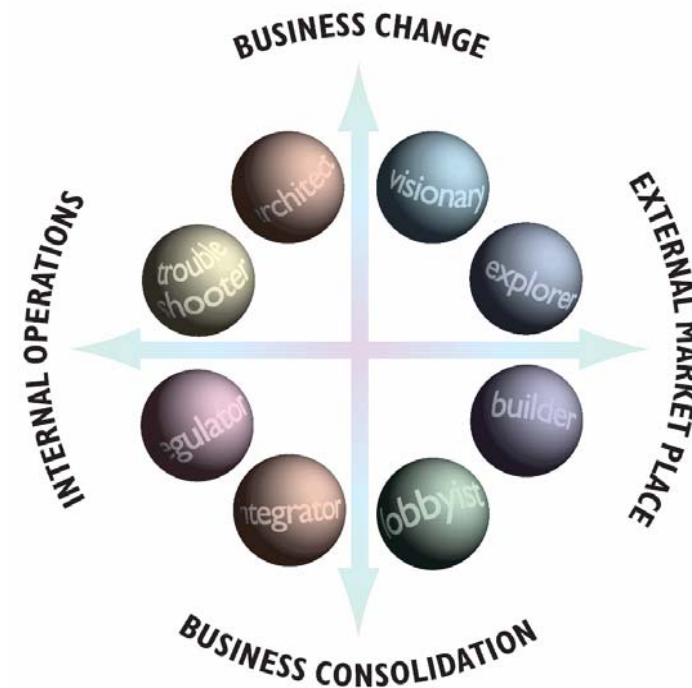
There is no shortage of models to provide rigour in working through the linkage between strategy and leadership¹. But for us, the Business Challenges framework provides a robust vocabulary to make the connections:

- as a business what is the **focus of your competitive advantage and the driver of sustainable success**? Yes, you need to fight across several battle grounds, and yes, the war will change over time. But right now, what will differentiate you from your competitors?
- which **capabilities do you need to build, protect and maintain** to achieve that advantage? What mix of knowledge, expertise and skill needs to be integrated and executed? Capability needs to be built across several areas to be a serious player; but which organisational activities do you need to invest in to achieve excellence?
- what **leadership ethos** must be emphasised and which leadership talents need to be deployed to optimise these capabilities? This isn't about cloning around particular leadership styles. But it is about ensuring that key leadership themes are reflected in key roles and reinforced throughout the operating culture.

THE BUSINESS CHALLENGES FRAMEWORK²

The Business Challenges framework outlines eight strategic clusters, mapped against the dimensions of:

- a focus on internal operations vs. alertness to the external business environment
- a preference for periods of business change vs. business consolidation



¹<http://www.strategy-business.com/press/article/07405?qko=0a739-1876-26510307>

² For further details, see www.amazureconsulting.com

Strategic choice and capability



VISIONARY

Trend Spotting
Scanning the business environment to identify significant moves in social, economic, technological activity

Research Capability
Translating leading edge ideas from the academic/technical research into workable business concepts

New Product Development
Moving promising new concepts into tangible products and services



EXPLORER

Managing the Growth Momentum
Determining the products and markets which represent areas of potential growth

Identifying Alliances
Searching out other organisations where partnerships and alliances will be mutually profitable

Deal Management
Negotiating commercial arrangements to expand the organisation's sphere of operation



BUILDER

Customer Analysis
Analysing customer feedback to determine perceptions of the product/service proposition

Customer Reach
Promoting product developments and enhancements with effective advertising and pricing

Distribution Management
Managing the mix of distribution channels to reflect customer requirements



LOBBYIST

Reputation Management
Presenting corporate interests positively to key stake-holder groups

Political Influence
Setting an agenda within the political decision making environment

Regulator Relations
Exerting influence with regulatory bodies to maximise the organisation's space for manoeuvre



ARCHITECT

Technological Impact
Recognising the relevance of technological developments on organisational activity

Work Flow Redesign
Translating technological innovation into improved processes and systems

Change Leadership
Planning and implementing major changes in organisational structure and practice



TROUBLE SHOOTER

Early Warning Systems
Measuring corporate activity to determine activity to identify potential problems

Corporate ReFocus
Re-allocating organisational resources around core business aims

Productivity Management
Tackling high cost-low value activities to raise levels of productivity



REGULATOR

Management Information
Developing relevant indicators to monitor corporate activity and outcomes

Administrative Consistency
Installing standard operating procedures to improve process efficiency and standardisation

Financial Control
Establishing financial discipline throughout corporate activity



INTEGRATOR

Resourcing
Ensuring the ongoing supply of employee capability

Culture Management
Implementing processes to reinforce corporate values and ethics

Knowledge Coordination
Facilitating the sharing of resources, ideas and information throughout the organisation

Each of the eight themes represents a challenge for your organisation. But some are more important to your strategic game plan than others. For each business challenge, capabilities need to be built and protected. Again, all are relevant to some extent. The issue is in identifying those with most leverage and where exceptional implementation will make a strategic impact.

The talent management agenda: identifying pivot roles

Strategic choice identifies overarching priorities. The next decision phase: **identifying the critical roles where talent and performance makes most strategic difference.**

Classic talent management either embarks on the “forced march” strategy in which everyone at a particular level undertakes a standard development programme, or it sends out a request to line managers asking for nominations to a high potential programme. The response: a highly variable group incorporating exceptional talent ready to progress and make a greater contribution, but also individuals who line managers don’t know what to do with, individuals they want rid of, and individuals whose self serving ambition has nagged line managers into acquiescence.

Talent management, driven by decision analysis, begins with the prioritisation of “pivot roles”. These are not always the obvious roles (e.g. senior executive roles) where typically most talent management effort is directed. Pivot roles are those that are key to future strategic success and where performance differences make most business impact.

The question for talent management:

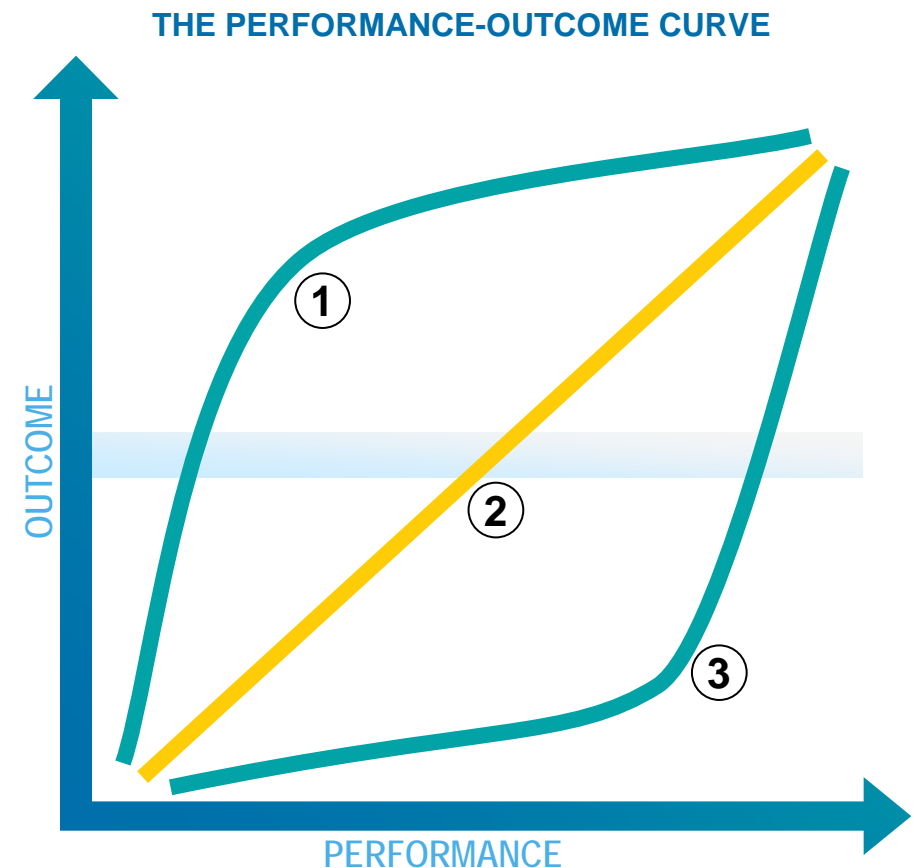
where would an improvement in talent make the biggest strategic impact?

Pivot roles and the performance – outcome curve

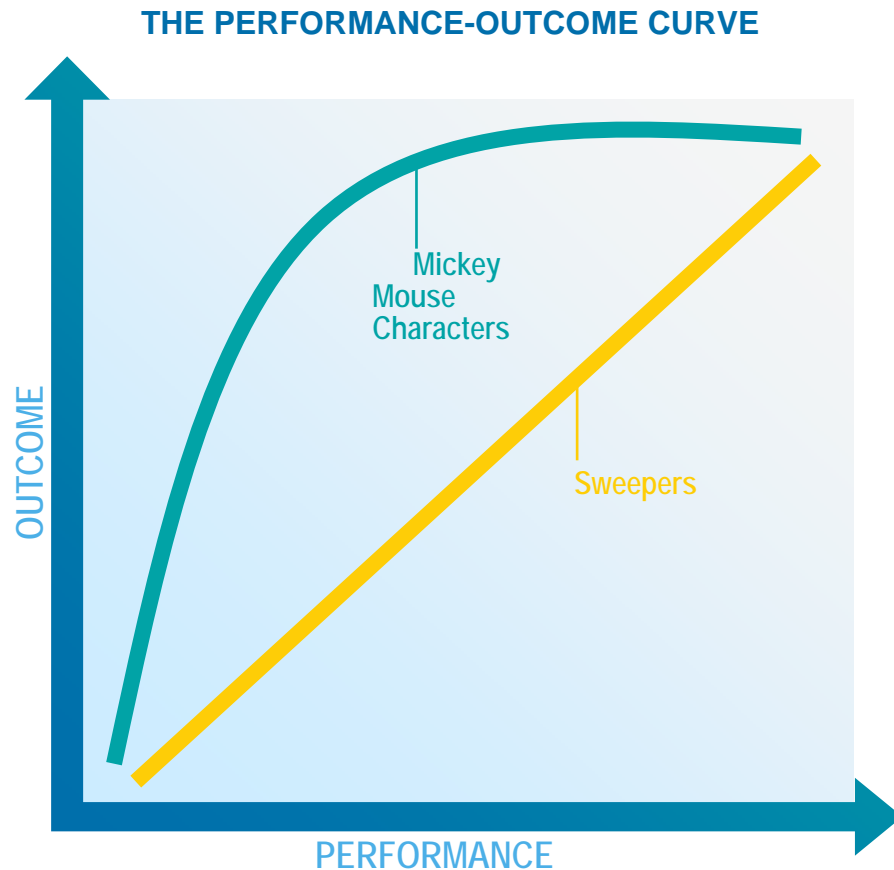
The performance-outcome curve maps out the relationship between performance and outcomes. In the graph, three roles have been identified. All are important in that they make a significant business outcome.

1. represents those roles where the difference between the average and best performer role holder is not all that large. Once a certain standard has been met further investment in performance will not drive superior outcomes.
2. is those roles where incremental improvements in performance keep driving gains in outcome. And here an investment in performance keeps paying returns.
3. identifies the kind of roles where the difference across the lower end of the spectrum don't make much difference. But at a certain "tipping point" in the continuum, higher performance yields substantial outcomes.

Applying decision analysis to review the performance outcome curve identifies pivotal roles and where proactive talent management can have most business benefit.



Talent management, pivot roles and Disney¹



Which roles at Disney make the biggest difference? The costumed characters or the sweepers?¹

For Disney, the role of Mickey Mouse is of course important, but it isn't pivotal. Disney's guests are delighted to meet Mickey and the other characters; this is major part of customers' experience within the parks. But the difference between the average and highest performer is in fact quite small. Low performers have the potential to damage Disney's reputation. But once a certain standard has been met, performance differences among the costumed characters don't make that much business impact.

Sweepers however are pivotal. Sweepers at Disney have the opportunity to make a huge difference to the customer experience. It is clearly important for Disney to keep its parks clean. But, because of the ongoing interaction that sweepers have with customers, they have enormous scope to influence Disney's business. A high performing sweeper is accessible to hundreds of customers, helping them navigate through the park, pointing them in the direction of its catering and merchandising outlets, and coping with the unexpected problems that might spoil the customer experience. Sweepers are "front line customer representatives with brooms in their hands."

For Disney, an investment in the recruitment, induction and training of its sweepers will have more business impact than directing resource to its costumed characters.

¹ Adapted from "Beyond HR: the New Science of Human Capital" John Boudreau & Peter Ramstad

The talent management agenda: recruitment against a blue print of success

When Billy Beane rethought talent management for the Oakland A's, he didn't fall back on conventional models of baseball player performance. Quite the opposite. Rather than relying on overall evaluations based on the out-dated stereotypes of the experienced scouts, he created his own model of success based on an objective examination of the specifics of what players did and how this contributed to overall team productivity.

A robust talent management agenda creates **a blue print of success** for those pivotal roles that have most impact on strategic success. It doesn't recruit against a generic framework of competency. Instead it builds a detailed profile of the specific talents, motivations and experience that underpin exceptional levels of performance. Talent management driven by decision analysis identifies what these specific factors are and how to assess them. It is this knowledge that allows organisations to be more imaginative in their search for talent and how they manage the recruitment process.

If your model of success is better than that of your competitors, you can, like Billy Beane, adopt a different strategy in how you attract and recruit talent. Instead of "fishing in the same waters" as your rivals, new sources of talent become available.

THE INCOMPETENCY OF COMPETENCY

Generic frameworks that map out requirements covering the full work force play an important role, particularly in reinforcing the values that underpin cultural operating style. But competency models have their problems¹.

- **they confuse the causes and consequences of performance.** Most frameworks, typically a listing of 10 - 15 dimensions, are a "kitchen sink" of **outcomes, tasks, activities, behaviours and attributes**. Wrapping up attributes, behaviours, tasks and outcomes into a package of competency dimensions might seem an economical way of summarising leadership and professional requirements, but by bundling cause and consequence they run the risk of confusing who is currently effective (displaying the achievement of outcomes) from who might be effective in future (evidence of those attributes predictive of outcomes).
- **they lack the precision needed for real life applications.** Competency profiling and the publication of competency manuals may be the end point for GravyTrain style consultancies. But competency frameworks only have any purpose in so far as they refocus recruitment and selection practices, direct the design of training activity, inform how we manage career progression and shape talent reviews. And here is where they fail. Competency models look plausible, but typically they only highlight generic practices and processes applicable to most professionals and managers most of the time and they don't pinpoint the specific factors that drive exceptional performance.

¹ See "Practical Succession Management" A Munro for an extended evaluation of the problems with competency

Decision analysis and assessment

An example of decision analysis in sales recruitment

The role of Personal Financial Advisor is important for a major UK bank. Not only is the role critical to the bank's long-term strategic plans, there is considerable variation in performance. The top 20% generate on average 10 times more sales than the bottom 20%. The Personal Finance Advisor role is pivotal; performance differences make a direct business impact.

There is therefore huge scope to make a difference through a range of proactive talent management practice in induction, training, and not least in recruitment.

Generic sales competency models won't however pinpoint the specific factors that differentiate average from outstanding performance. Based on a combination of field work and a validation exercise comparing the profiles of high and low sales performers, a blue print was created to outline the criteria for future sales recruitment. This blue print highlighted the specific pattern of experience, motivation, values and operating style that drive high levels of sales success.

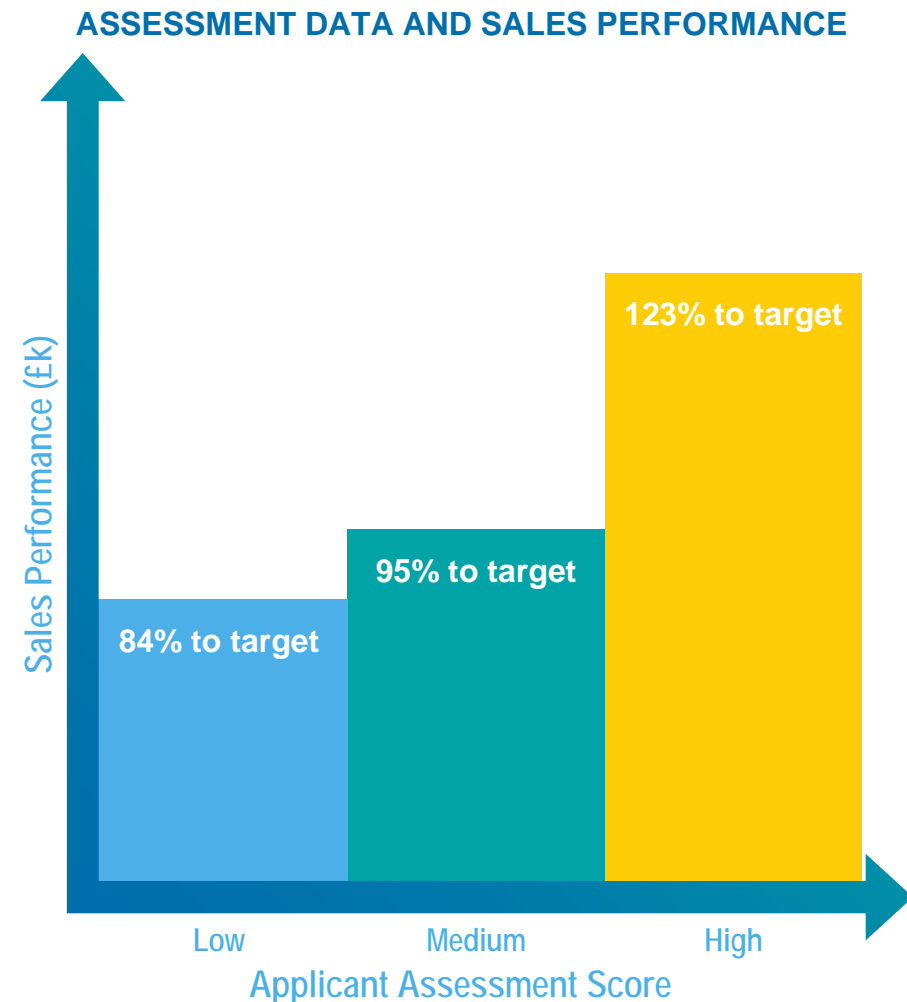
The talent management agenda and assessment

A combination of biodata and personality assessment was utilised as a first cut recruitment screen. With a 1 in 20 selection ratio, this organisation can be demanding in the threshold it sets for applicants to be selected for the second phase of the recruitment process.

Fast forward four years, and sales performance is available for those applicants who were appointed. And “thanks” to a glitch in recruitment logistics, data is available for those recruited through the first cut assessment and for those who bypassed this initial screen.

The results: Personal Finance Advisers who, as applicants, met the recruitment blue-print, achieved a sales performance of 23% above target. And those who didn't, performed 16% below target. Crunching the numbers¹ based on recruitment numbers for this bank, highlights massive gains in sales success.

The application of decision analysis in the selection of talent is robust. It places greater demands on the requirement to research the dynamics of exceptional performance and map out a distinctive blue print of success. It also requires discipline to implement the tracking and validation processes to cross reference applicant data with performance outcomes. But for pivotal roles the rewards are potentially immense: improving recruitment decision making to drive up levels of business performance.



¹ Actual sales figures are not displayed to maintain confidentiality

The talent management agenda: deploying and developing talent

Proactive talent management doesn't stop at recruitment and selection. Billy Beane at the Oakland A's oversaw a coaching team (often bemused by the players he had bought) faced with the task of organising and coordinating his recruits into a winning team. Talent management is finding effective ways to deploy and develop individuals to optimise their performance and contribution. And this requires an insight into the key questions:

- which development **strategies** work best?
 - addressing any gaps and shortcomings and recognising how to mitigate against any limitations; classic talent development
 - a focus on strengths and finding ways to optimise existing talents; the Gallup perspective?
 - mastering the “inner demons”¹ and addressing the “fatal flaw”
- **who benefits most and least** from development?
 - current excellent performers?
 - those operating effectively but who require greater stretch?
 - those at the lower end of the performance spectrum who need to raise their game?
- which development **methods** work best?
 - when is formal training the most appropriate approach?
 - does executive coaching work?
 - Is an investment in business education worth it?
- **when** does development happen?
 - what organisational factors help or hinder the development process?
 - what is the role of the senior team and line management in reinforcing a culture that supports learning and development?
 - how do we square the circle of a focus on short-term performance whilst encouraging development that takes risks and makes mistakes?

¹ http://www.fastcompany.com/magazine/42/pp_waldrup.html

The talent management agenda: deploying and developing talent

The training, development, education and coaching sector is big business. It is a multi billion industry. What impact is it having?

The honest answer: we don't know

The reality is that there has been little evaluation. And what evaluation has been conducted has relied on the "happy sheet". But positive feelings about the development experience say little about improved performance and business impact.

ROI estimates based on participants guestimating the impact of their development don't quite cut the mustard. Often, but not always, ROI figures tap into the psychology of personal investment rather than establish any objective financial return.

The evaluation of development activity is a genuinely tough nut to crack. David Ogilvy the advertising guru wise-cracked that he knew advertising works, "but I don't know what half does." But he also said: "Never stop testing, and your advertising will never stop improving."

If we are serious about talent management we need to be more robust in how we track the impact of our investment in development. This isn't just about HR "proving its worth" although it does reinforce organisational credibility. It is about ongoing learning and continual improvement to keep discovering ways to optimise development activity.

Some of the metrics that we've found helpful in tracking talent management:

Efficiency:

- **Speed of appointment** and reducing the time line from initial vacancy to candidates getting up to speed
- **Cost per hire:** reducing cost per recruit

Effectiveness:

- **Talent retention** and improving the percentage of key people we are retaining in pivotal roles
- **Succession coverage:** optimising the percentage of the target management level ready to progress to the next level

Impact:

- **Stakeholder perspective** and improved perceptions from key constituent groups in their evaluation of the breadth and depth of leadership and professional capability
- **Succession hazards** and reducing the percentage of pivotal roles with no back up or medium term coverage

The implications for HR professionals

Decision analysis, the move towards evidence based management and the application of data-driven methods to track, measure and evaluate activity and outcomes is here to stay. The adoption of decision analysis moved the functions of Finance and Marketing onto a new level, a level that ensured they became strategic players in the decision making process. What does this shift mean for HR professionals in the management of talent?

- **strategic understanding** and influence to shape and inform the debate about the organisation's future, and the challenges it faces in pursuing long-term aims. Tactics to implement progressive and robust practice will always be important. But tactics detached from strategic context are the tactics that won't make a business impact.
- increased levels of **financial literacy** to connect the investment in talent management to organisational outcomes. This isn't to suggest that the HR profession becomes "number crunchers" or loses sight of the complexity of the people dynamic, but that it deploys greater sophistication in how it reviews different talent management options and outcomes.
- the application of the **tools of evaluation and validation** to keep reviewing what is and isn't working. Implementing best practice simply because it is what "best in class" organisations are doing is an expensive and wrong-headed approach. Instead there will be a greater focus on "separating the wheat from the chaff" to evaluate options and rigour in determining what is and isn't relevant.

"The major challenge for HR in the future is ..if it facilitates the development of a workforce that delivers and executes their firm's business strategy."

Beatty & Schneier

"If you are a leader in business and don't understand finance, you will spend your career bluffing your way through meetings."

Warren Buffett

"The ability to deliver a workforce analytics capability may be one of the most important roles HR can play as it becomes more of a strategic player."

Tim Phoenix, Deloitte Consulting LLP

MoneyBall is the account of how a baseball team defied the “rules” through the application of decision science by utilising objective measurement to rethink success and shift the way it recruited talent to beat its competitors.

Your organisation can win the talent war if it is prepared to stop and rethink its campaign, take stock and think strategically about the talent it needs, the pivotal roles that are key to the future, and the specific factors that drive exceptional performance.

Talent management practice is about “betting on the future”. And it is a bet. In the face of business uncertainty and organisational change there are no guaranteed wins. In playing “talent roulette”, spreading your bets to invest equally on each and every employee is an expensive and futile way to fight talent wars. Conversely, placing a big bet on a handful of stars is a quick way to exit the game.

Playing Talent MoneyBall is about choice and priorities, and drawing on the tools of decision analysis to help you make better choices to focus your investment.

“The trick is to know precisely what trade-offs you were making.”

**Paul DePodesta,
MoneyBall**

About us

AM Azure Consulting Ltd works with a broad portfolio of clients in the design and implementation of on line services in recruitment and selection; management assessment, development and career management; performance management; and talent and succession management.

If you are interested in our approach to talent management, call us on

44 (0) 1608 654007 for an informal discussion about your plans and priorities or email admin@amazureconsulting.com

- **we're professionals but we're not pompous.** We are at the edge of the latest research and thinking in the field of people management, but we're not precious about the "one thing". We have some good ideas to help your organisation perform even better, but we know that you may have some better ones, and want support in making them work. We don't impose the "solution".
- **we design but we also implement.** Our content, design and technology can build cost effective solutions quickly. Over-engineered consultancy solutions don't interest us. Our consultancy experience of "real world" implementation will move things forward from initial concept to results rapidly.
- **we start things to build momentum but we also follow through.** Results come from the discipline of "making it stick", of evaluation, learning and continual improvement. And we maintain ongoing relationships with our clients to keep achieving positive outcomes.