

To have a getting your organisation

So you've gone through the talent war, and you've got the pick of the crop. What's the best way to manage this talent? And how do you hold onto these valuable employees? Charles Woodruffe outlines an approach.

In the March 2003 issue of *Training Journal*,¹ I summarised an article by Malcolm Gladwell,² a staff writer for *The New Yorker* magazine. Gladwell describes the McKinsey approach to talent management – enthusiastically adopted by Enron – which grades people into A, B and C groups, giving greatest reward and encouragement to the As while conveying to Cs the message 'Shape up or ship out'. He also describes the internal talent market that encourages people to move around with the presumption that the most talented people will be attracted to the most prestigious – and profitable – projects. Gladwell is strongly critical of this internal market, suggesting that people do not stay in any post long enough for their true worth (or lack of it) to be revealed and that the system simply causes chaos. Indeed, he is so critical that he seems to abandon the whole notion of talent as a myth rather than suggesting a better way of managing talented people.

In my March article, I argued that talent deserves a status that is more than the myth Gladwell assigns to it. People obviously differ on the qualities required either to service customers directly (for example, as teachers, lawyers or software engineers) or to manage those who are serving customers (for example, as headteacher and so on). A strong ability either to serve customers or to manage those serving customers is broadly what we mean when we refer nowadays to talent. Talent exists, and I believe that we should therefore part company with Gladwell by retaining it as a concept.

Nonetheless, perhaps Gladwell's criticisms of McKinsey's advice on talent management are justified. In particular, McKinsey's suggestions on how

to manage talented people might be flawed in that, maybe, the divisive grading into A, B and C is not the best way to hold onto talented people and the unencumbered internal market might not be the best way for them to move around. Whether it is so flawed as to have been a contributor to the practices that brought Enron down is more speculative, but the case could be argued that the extreme competitiveness of retaining one's status as an A hardly encourages the admission of mistakes or sacrificing the short for the longer term. The present article looks at the management of talent, albeit with the benefit of hindsight after the first rounds of the talent war.

THE BASICS OF TALENT MANAGEMENT

Talent management is essentially about identifying talented people, finding out what they want and being prepared to give it to them.³ If you do not, one of your competitors will.

Clearly, not all talented people want the same thing. Some people worship money more than a work/life balance. For others, the opposite is true. But, broadly speaking, talented people want – and feel they deserve – a mix of outcomes from work. These include being

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and to hold: onto talented people's CVs



compensated appropriately in terms of salary and benefits. At the same time they want to build on their ongoing employability and gain job satisfaction while they are doing it.

Employability and satisfaction are built on advancement and achievement as well as development. Employability is also helped by working for a 'good name' such as the BBC or BA, while satisfaction is increased through being treated with respect, the achievement of a work/life balance and simply working in an environment that is fun.

While some of these outcomes can be given to everyone, others – notably advancement and remuneration – are in short supply. The obvious solution is to allocate these scarce rewards to the people who are most talented and valuable. The same argument holds for allocating the more expensive roads to development such as sponsoring people to take an MBA, which has, for some high potentials, become almost a prerequisite to their retention.

AS SIMPLE AS A B C?

On the face of it, the A B C approach of McKinsey seems to identify the particularly talented. They can then be particularly rewarded and retained. However, on closer inspection the approach seems controversial both as a means of identifying talent and as a method of retention.

There seem to be two quite different interpretations of whom the A B C approach identifies. One set of writers⁴ refers to the handful of 'core competents' – the people you might beg to stay because, in the words of the Corporate Leadership Council⁵, they are 'mission critical'. A study by the Council emphasised that the number of people who are core competents is small. For a computer company it was 100 of the 16,000 staff; for a software company it was ten out of 11,000; and for a transportation group it was 20 out of 33,000. If these people truly are 'mission critical', then no doubt their organisations will take every step to retain them.

However, this is a far more select group than the 10 per cent of staff identified at Microsoft® UK⁶ as top performers or the 20 per cent whom GE's business leaders identified as top performers.⁷

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Essentially, we have two constituencies. First, the core competents from within the talent pool and, second, the broad talent pool itself. If the talent manager makes sure it is operated in a way that is consistent with motivation, the A B C approach seems to offer a way to discriminate within the pool of talented people those with super-talent (the core competents).

It might well be useful for the talent manager periodically to review the talent pool and decide who are the core competents and who, perhaps, should not really be in the talent pool. On the other hand, the A B C approach seems less generally useful as a way of identifying the broader talent ►



pool. The idea of identifying the 10 or 20 per cent of top performers suffers from the immediate problem of deciding 10 or 20 per cent of what? Clearly, not the entire organisation or we would be comparing the receptionist with the finance director. So it has to be a percentage of the managerial or professional staff.

For some organisations it might make sense to say that about 10 to 20 per cent of managerial-grade staff are potential future leaders and therefore the talent pool. For other organisations, such as professional service firms, one would imagine that a far greater percentage are to be managed as 'the talent', albeit perhaps with a small number identified as future key executives. So the A B C approach does not seem generally applicable as a way of defining the talent pool.

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EASING OR FUELLING TURNOVER?

The approach advocated by McKinsey aims to retain the best people – the As – by transparently identifying them and meeting their needs. Part and parcel of the process is also identifying the Bs and Cs. Overall, the process might lose more people – including good people – than it retains because it seems rooted in a particular type of organisation with a particular type of culture. For example, the aggressive, Darwinian approach might appear to work for the caricature young professionals' Generation X.

However, it also feels quite humiliating. It might be a humiliation one will put up with when establishing a career, but it surely does not breed long-term loyalty even among the As. These people might stay to enjoy the spoils of victory while secretly planning to leave for a better life at the first opportunity.

This is exactly what we are now reading about among Wall Street's bankers. The *Financial Times* of 6 February 2003 carried news of 'dozens of top-level departures'.⁸ Of course, these people could afford to go and it is possible that they would have gone whatever their employers' approach to talent. Nonetheless, we also know that many people – including talented people – prefer to work for organisations that are nurturing and supportive rather than those that treat people as commodities whose fortunes come and go. This is not the same as providing a cosseted environment in which people can do no wrong. It is about offering support and treating people in a way that is generally considered fair.

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KEEPING PEOPLE BY SUPPORTING THEM

There is a good deal of evidence about the positive role of perceived organisational support in retaining people and I will mention three key articles published last year. All three create a clear message that managers of talented people need to lead, motivate

and support their staff in a way that will be jeopardised by the annual grading advocated by enthusiasts of the A B C approach.

The first article was by a group of American researchers led by Robert Eisenberger.⁹ These researchers established the relationship between the support given by individual supervisors and the people's perception of the supportiveness of the entire organisation. In turn, supportive organisations were found to have lower turnover, and Eisenberger and his colleagues attribute this to people in supportive organisations feeling a sense of obligation to aid the organisation as well as having a feeling of commitment to the organisation.

This research links with an investigation of unintended survivor reactions following a reorganisation.¹⁰ Far from being grateful to have survived, these people's commitment can be erased by the reorganisation if it is handled badly. Survivors were shown to be affected both by the procedure by which people are selected for redundancy and by how the change is communicated in terms of accuracy and quality of explanations. In addition, survivors are affected by the respect and dignity accorded to people and the concern shown for them. These factors determine survivors' organisational commitment, job satisfaction, intention to leave and trust in management.

The third article describes how people who are treated well feel a sense of obligation to reciprocate, particularly by offering commitment to the organisation.¹¹ Good treatment by the organisation involves the perceived justice of procedures that are adopted to make decisions about people as well as the justice in the way that rewards are allocated across the organisation to people with different levels of contribution through such factors as responsibility, performance, experience and stress. The way in which specific supervisors reward individuals for good performance is also a strong factor in fostering commitment. Additionally, support by the organisation involves including people in decisions and communication. Such inclusion denotes trust by the organisation. Recognition and visibility to top management also suggests organisational support and increases commitment.

So we have three recent research articles showing the scarcely surprising result that people's commitment and intention to stay in an organisation is a reciprocation of how the organisation and their particular leader/supervisor treats them. It is the role of the talent manager to ensure that people experience the organisation as supportive and committed to them while also meeting their other needs for reward, employability and satisfaction. Quite simply, the A B C approach seems to run counter to fostering this atmosphere.

In its place, I believe talent managers would be better advised to identify their talent pool and then offer these people a sense of commitment.¹² Asking people to work under the constant threat of possible downgrading to a B or C is not conducive to gaining their commitment and trust. It might suit a few, but many of them will leave as soon as they have got what they wanted for their CV and move on to an employer who treats them more like the professionals they are. In my experience of

managing generally talented people, a C is a rarity, and both the team atmosphere and each individual's loyalty will be prejudiced by forcing some people into that category by a process of invidious comparison.

CONCLUSION

For the business to succeed, talented people must be attracted and retained. In order to keep people, their needs must be met. Some needs can be met for everyone – such as the need to be treated with respect, to be given accurate communication and to be managed by fair procedures. Other needs can clearly only be met for some – such as advancement and placement on the most interesting and visible assignments.

The procedure for identifying the talent pool must be seen as fair both to the excluded and to the chosen. Otherwise the talented might feel some of the same guilt as survivors. People do not expect to be treated the same as each other, but the majority of them – including the talented – want to work for an employer who appears supportive and committed. This means offering to stand by those in the talent pool rather than keeping them on their mettle by the constant threat of downgrading. Commitment does not mean a job for life, but it does involve an attitude of active support to maintain a people's status rather than passively grading them each year to check they are still up to scratch.

In short, talent has to be managed. The

References

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aggressive A B C approach might backfire by causing more turnover rather than less. Maybe its unintended consequences go further. Perhaps Gladwell is correct in asserting that the extreme competitiveness of the A B C approach contributed to the fiction of Enron's accounts. It is an argument that should cause talent managers who adopt the approach to pause for thought. 