

thinking aloud

We're a business not an Arts school: how can we handle talent(s) for the future economy

1. Introduction

This document builds on a paper for a 'Talent Summit' in September 2008. We have now integrated our guests' ideas and acknowledge their invaluable contributions. Fuller acknowledgements are given at the end of this document.

2. Summary

This document addresses two overarching questions:

1. What is talent and, in particular, is it one thing, irrespective of time, place, industry and other situational factors?;
2. How should we transform talent management to get the best results in rapidly changing economies?

Our conclusions include:

- talent management is a strategic discipline;
- talent management links to industry, market positioning, portfolio and other analyses and is a core part of the business planning cycle;
- responsibility sits at board level and involves many functions, of which HR is one;
- talent is situational – it means different things at different stages in the business cycle; in different industries; in organisations pursuing different positioning strategies, and depending on the time horizon;
- because of this, talent management needs to emphasise its external focus (analysing talent as a market with supply/demand issues and a number of key influencers, or as an ecology involving competition and co-operation) rather than the existing focus on 'internal' factors (the skills of individuals, within-organisation talent pools). The 'war for talent' is a useful metaphor in some cases but is unhelpful in re-engineering talent strategies;
- talent management is a continuing process not a single event;
- robust prediction – of future commercial and environmental conditions as well as individual growth and performance – is crucial;
- talent management may have unintended consequences in excluding and disempowering other staff.

TALENT: Talent derives from the Greek word 'talanton' meaning scales. This fed into 'talent' – a unit of money. Monetary is translated to human value.

Our day-to-day use of the word usually implies something natural, innate, requiring no effort and which is 'a given'. Talent as a 'gift of the Gods' is like wildfire – it runs where it will and is difficult to control, predict, motivate.

In business planning we rarely see talent in quite this radically Romantic way. We want to manage, focus and apply it.

TALENT MANAGEMENT: THE ORIGINS

Softscope¹, one of three US mini suite (not full HRM system) vendors linked the words in 1998. Talent management – the motivation, management, prediction and focus of special talents – goes back to the beginnings of human history but it gained a semi-technical status at the collision point of a number of meta-trends: globalisation; increased speed of change; skills shortages; flatter structures; increasing diversity – gender, age, ethnicity; more use of increasingly sophisticated technology; a need to differentiate in competitive economies.

The last 40 years of business transformation have created a situation in which people skills and attributes are one of the main sources of sustainable competitive advantage. This has led to huge growth in internal and external human resource interventions such as coaching and mentoring. Talent management grew with, and was hugely influenced by, the competency movement.

The outcomes haven't been impressive. Leadership is a key talent issue. 85% of large corporates run leadership development programmes¹. Research from the Division of Occupational Psychology of the British Psychological Society suggested a spend of over £1 billion on management and leadership development more than two years ago. Yet 43% of workers have no faith in their leaders. The idea of aberrant leadership has been popularised by thinkers such as Bob Hogan and Adrian Furnham.

3. The Present: Talent issue(s)

3.1. What do we mean by 'talent(s)' now?

*'There are as many definitions, it seems to me, as there are pebbles on Brighton beach.'*⁴

Technical terms in any field allow us to explain or notice things that previously went unnoticed, were not considered important or seemed insoluble. Four things can happen to new terms. They:

1. get established;
2. disappear;
3. become so all-embracing that they cease to be of much use;
4. are unpacked and provide a more nuanced approach to what was once seen as a single problem².

We would argue that 3 seems to have happened to talent: but it would be a mistake to leave things there. Talent needs to be unpacked.

As the quotation at the beginning of this section suggests there are too many dictionary definitions of talent. In fact the same document gives a typical one:

*'Talent consists of the individuals who can make a difference to organisational performance, either through their immediate contribution or, in the longer term, by demonstrating the highest levels of potential.'*³

This begs the question *'isn't that everyone?'* And if it isn't, by using such a definition of talent, we imply that people who aren't on a talent programme don't make an impact on performance

¹ CIPD: Research Insight: Talent Management. August 2007

² This is Crelos' first rule of business theory!

³ CIPD: Research Insight: Talent Management. August 2007

or work to their highest levels of potential. *Talent programmes exclude and demotivate as well as include and engage.*

Giving examples of talent compounds the problem. In pharmaceutical companies in the 1950s it was to do with very specialist knowledge, exceptional skills and sometimes aberrant behaviour. Now, the word is used in a bewildering number of ways. They overlap in places but talent is used to denote:

SOME EXAMPLES OF TALENT

Existing leaders – who need support and growth.

High performers – who need to be attracted and retained.

Future leaders – the thorny issue of succession.

'Boffins' and specialists – whose special knowledge means special treatment; there's a supply and demand issue.

Entrepreneurs or potential entrepreneurs – since these are 'stars' - rare and special.

Outsourced organisations – since talent is expensive and you can't employ it all.

Everyone – since everyone contributes and everyone has a talent.

None of these are fanciful and we can begin to see how these different talent segments, an analogy to the techniques of segmenting customers and markets, might be more or less important at different times, in different industries.

By beginning to look at talent in this way, we can avoid the implied labelling of people as 'non-talent' while recognising what every manager knows; certain people contribute hugely in specific circumstances.

3.2. Talent as Commodity

If, from the outside, 'talent' looks exclusive and 'talented people' on a programme look privileged, from the inside things can look extremely different.

Talent management has, in many cases, become a way of packaging and commoditising certain skills and abilities. Selection methods and talent programmes often focus on very specific abilities. Individual people are seen as 'containers' of these skills or abilities. Because rewards are high and there is a lot at stake for organisations, as well as for individual talent and functional managers, less notice may be paid to the issues, problems and concerns faced by the talented individual.

Our talent round table raised this issue and gave a very specific example. The NHS employs 1.3 million staff and is the largest employer in the world, spending £ 3.5 million annually on learning. The NHS – if anywhere – depends on talent: skilled surgeons, clinicians, consultants and nurses; gifted managers; a huge range of people who combine technical knowledge with sophisticated customer/people skills. Yet the 'casualty rate' is huge: people leave the NHS because of overwhelming paper work, the lack of time to practice their skills, over-long working, and the sense of not being in control of their own destiny. In some cases, these derailers of talent map on to the very service they're offering: alcoholism, stress, heart disease and drug abuse.

Many sectors depend on talent and then treat it as a disposable resource: this is especially true of public sector services like health, education and social care but it happens equally in finance,

the creative professions and – if statistics quoted by US psychologist Bob Hogan are correct – areas such as leadership.

While great rewards bring their own responsibilities, it can be argued that the commoditisation of talent has gone too far. The growth of large numbers of off-the-shelf computerised competency structures available from many international suppliers and used without contextualisation has tended to further commoditise talent management programmes, building them around the same measures of excellence.

Talented people (however you define them) are both talented and people.

3.3. Now or later?

Is a talent management programme focused on meeting organisational needs now, tomorrow or in five years time? Is it strategic, tactical or both? Does it concentrate on maximising existing staff: recruiting to the same specification as present successful incumbents or recruiting for projected changes?

This is easy to write, but the difficulty of recruiting and developing a new generation of managers for a projected change of industry direction in 5-10 years time is not to be underestimated. As one of the guests at our round table suggested, time horizons are now down to around 1-2 years.

This highlights the role of prediction in talent handling. Can we predict the needs of a business in 5 or 10 years time? And, equally importantly how sure can we be about predictions of people's growth, performance and achievements over the same timescale? How much uncertainty is there?

3.4. What do we do with talent(s)?

A typical list of general talent strategies might be:

- attracting and recruiting qualified candidates with competitive backgrounds to create a diverse, high performing workforce;
- managing and delivering competitive salaries;
- offering training and development;
- having robust, data-based performance management systems;
- working on retention and engagement;
- creating a lucid succession, promotion and transitioning system;
- creating a range of job titles indicating progress, seniority, experience, functional fit, experience and individual wants, for instance. These job titles are bestowed, among other things, as rewards, motivators and means of ensuring engagement. Increasingly these titles are value-tokens rather than signposts to who you should speak to to get a job done.

These functions are used with any job or employee. If talent means something, the functions will produce different answers than if they are applied to 'non-talent'.

Alan Greenspan and Teddy Kennedy – to choose two examples at random – have argued for the crucial economic importance of unskilled (which might be viewed as non-talent) workers as a group. But organisations value individual skilled workers more highly than individual unskilled workers. The outputs of the processes listed above will privilege them: give them quicker promotion, higher salaries, more incentives to engage.

This may well be the right thing to do but it requires careful internal marketing and a very sharp focus if it's not to have unintended consequences.

4. The Future: a situational view of talent

It's apparent that the theory, rhetoric and language of talent poses problems. We therefore want to model a different way of looking at and addressing the issue.

4.1. The word 'talent'

The word 'talent' is inadequate and has certain unfortunate implications, but we're stuck with it – unless any of us can think of another one.⁴

Talent, like leadership, is situational. Before implementing a talent management strategy, any organisation must relate talent to the particular needs of the organisation through a contextual analysis (see below).

4.2. Situational talent management: a definition

To gloss and extend an earlier Crelos definition:

A NEW DEFINITION OF TALENT MANAGEMENT

A (continually) evolving set of processes by which businesses identify, attract, develop and retain people with the key (soft and hard) skills to further an organisation towards its (short, medium and long-term) strategic goal(s) (which are crucial in a particular industry and at a particular stage in the business cycle). (These skills and talents will continually change as circumstances change).

This definition removes 'talent exclusivity' by defining talent as contextual and contingent. At different times different skills will be crucial but certain skills WILL contribute more – at certain times.

4.3. What are we measuring against?

Before we start defining 'good' and 'superior', and reaching for tests and performance statistics we need to do something else: clarify what we are going to measure against these evaluations. We need a talent description contextualised in time, place and circumstances.

We suggest four talent frameworks which will help to create such a situational description. They are not separate but provide slightly different viewpoints which highlight slightly different issues.

4.3.1. Analysis by industry sector

This is the most obvious situational factor affecting talent definition but also raises some general issues about the place of talent management in strategic planning.

Certain talents are common to most organisations: the components of effective leadership, for instance. But talent looks different in, say, the pharmaceutical and other science-based industries as opposed to the 'creative' industries such as advertising. The present dearth of science graduates impacts hugely on the certain sectors. Specialist communication companies may require scientific literacy or certain specific components of a scientific education but it is unlikely that this is such a core issue.

The CBI/Edexcel Education and Skills Survey 2008 reports that 60% of firms employing scientific, technical, engineering and maths graduates report difficulties in recruitment.

⁴ Crelos plans to look in a future article at the issue of how far the words we use to talk about people at work actually helps us to find practical solutions.

National educational statistics report lower take up of the subjects in schools and universities. Around 30% of larger employers are now recruiting in India and China.

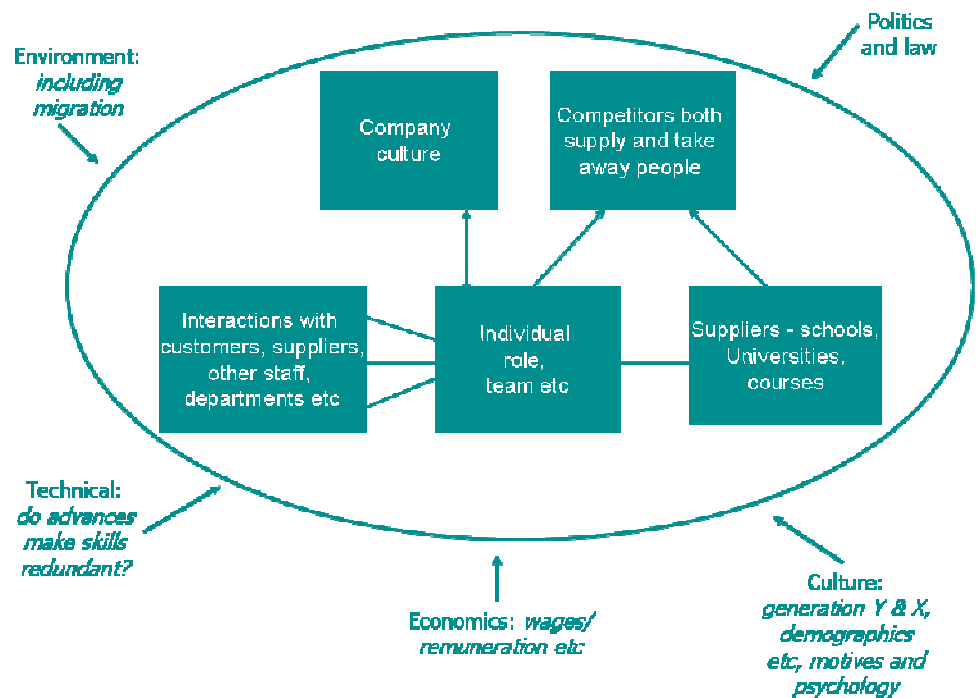
Looking at talent in this way highlights that the focus in its management has been on 'internal' factors. At the risk of quoting ourselves, the Crelos document on *Precision Business Psychology* sums this issue up:

"Approaches to people at work have tended to take an internal perspective: looking at abilities, personality and attributes of individuals, and teams. Of course individual differences and attributes are important...but we need to factor in external issues that effect an individual, a team, a workforce, a particular talent pool or a generation. In doing so we need to create a more dynamic model of human beings at work, one which more easily gears with the dynamic model of business change and future strategy making within which it operates."

This is particularly true of talent. Another example highlights the issue.

The health sector – which we discussed earlier on in terms of talent 'derailers' – also faces a huge talent shortage. In February 2008 the Health Services Journal reported that some hospitals were having problems even getting candidates to interview for locum doctor roles, due to changes in training. In March the BMA reported that quality of care in the NHS was being threatened by a chronic shortage of junior doctors, which in turn is impacting on the performance of consultants having to work longer hours. The desperate shortage of training posts reported by the BMA in 2005 (in some subjects a reduction of 30% in 8 years) has come home to roost.

Strategic marketing, planning and finance functions analyse their sectors in huge detail. We believe that talent managers should analyse talent issues in the same way, using similar concepts:



Organisations, depending on their size, expertise and resources will tend to concentrate on factors inside the circle, although smaller companies and even some larger ones will invest more in issues of culture, individual and team talent, relationships, engagement and retention. Managing the talent supply requires external research and analysis. An almost constant 30 year revolution in educational arrangements and the structure of qualifications has complicated this area further.

How do talent and these wider external factors interact? Here are some suggestions:

- Guests at our Talent Summit raised a range of issues which could be typified as 'ethical': the role of organisations as a force for ecological and societal betterment; the importance of values. These concerns map onto 'ethical business' and 'authentic leadership' movements. This sort of discussion would have been almost impossible at a business meeting twenty – arguably ten – years ago and suggests a fundamental shift in attitudes towards and within organisations, a shift that can only be accelerated by the present credit crunch and perceptions of irresponsibility in the financial sector. These attitudinal changes are created and arbitrated by factors outside the circle in our diagram and impact on individuals and organisations.
- This, in turn, impacts on talent motivation. We're used to seeing young people in one of two ways: as having Generation X attitudes (driven, seeking material awards etc) or in a media model as knife toting, uneducated and barely literate. However, recent research has confirmed what some parents know: many young people are less prepared to compromise their private principles for corporate advancement. They worry more about what they're contributing to and aiming at. It can be argued that the ecological/environmental movement is this generation's 'Ban the Bomb' issue, but is sharper and more pervasive than the latter and may have longer term consequences for attitudes and behaviour. Understanding this highlights the issue of 'aspiration'. Talent may have the ability to contribute hugely: but does it want to?; what are individuals' aims and goals?; do these involve the often large sacrifices (as well as rewards) demanded to succeed? Indeed, do people have the information to make these choices or are they just initially driven by promises of reward and status? This brings us on to a second point.
- Many organisations implicitly or explicitly promise quick advancement and above-average rewards for talent. The phrase 'fast-track' used in certain development schemes highlights this. Organisations are not solely responsible for this perception. Graduates applying for graduate placement in FTSE 500 companies have huge expectations. Their parents and peers reinforce this. Yet the expectation of 'fast tracking' brings its own problems. Many consultants argue that basic management competence is missing among talent which has been promoted too quickly. In certain sectors – the built environment, for instance – speed of advancement can compromise safety, an area subject to increasing amounts of legislation. We've already mentioned the problems of derailers – stress and other health issues – in the health service. This is, in fact, a wider issue, and has resulted in government initiatives such as *Improving Access to Psychological Therapies*. The pressure of being 'talent' may resonate with the higher incidence of psychological syndromes – minor depression etc – in the population.

The work of Elliot Jaques, the Canadian psychologist, medical doctor and organisational theorist also highlights the problems of fast tracking. Over a long career Jaques' stratified systems theory shows that different levels of the

organisation require different thought complexity and capability, reflecting the time frame the role uses (and the time lapse before a role's decisions are checked or managed by a superior). Jaques is controversial. He is dismissive of much modern organisation theory and argues strongly for hierarchical organisations with differentiated management levels and consequent remuneration. But his work is being increasingly discussed and applied. In this context, Jaques' rich theories suggest that fast tracking talent risks putting people in the wrong job; that they may operate in the wrong time frame, at the wrong level of intellectual complexity. His theory suggests that simply assigning roles in terms of 'mental horse power' (which is different from ability to cope with complexity and uncertainty and does not take into account the time frame over which a job has to operate) is a misjudged strategy.⁵

- We think of talent as 'young'. Whether we like it or not, talent in the future will be more age diverse. Much talent will be over 50, given demographic trends. Since this has been realised for some time, psychological researchers have been studying changes which happen during the aging process. We know that older people are more individualistic; can learn 'new tricks' but only if they're interested; are good at creating positive cultures and understanding human issues; use wisdom, past case evidence and human understanding in solving problems; and, are less motivated by status and rewards than younger people. These suggests ways of building jobs round older skills. What's less clear is how a number of factors will affect the older talent pool: expectations of longer leisured retirement; trends to move away from the UK in later years; the present credit crunch's impact on retirement plans.
- How does wider legislation on diversity impact talent strategies: it's like adding a fourth dimension to the problem where specific skills, organisational needs, and market changes are joined with a need to reflect wider society in the make-up of an organisation's talent pool. This, in turn, is impacted by the fact that certain nationalities offer very specific high level talents: India for IT skills, Russia for high level scientific skills. This may lead and distort diversity policies.
- Advances in technology (in the widest sense) place huge challenges on organisational managers in identifying talent – or, indeed, understanding what talent is and how to deal with it. It has been argued that the present financial crisis has been partly caused by the complexity of specialist financial instruments. Only a small group of experts within organisations could understand them. Senior managers found it impossible (or did not have the time) to understand their implications and thus 'talent' ran wild. Whether this particular description is accurate, there are a number of examples from other sectors which seem to share the same characteristics: many companies made big mistakes with new, complex 'flavour of the month' programmes in developing web strategies for instance.

Perhaps the key issue is supply, demand and competition in the talent 'wars' . This is so fundamental we return to it in our section on metaphors for talent.

This sort of sector analysis naturally leads on to a second one.

⁵ Jaques' best known book is *Requisite Organisations*; London; Gower 1989. In 1998, Cason Hall published *Requisite Organization: a total system for effective managerial organization and managerial leadership for the 21st century*.

4.3.2. Time analysis

As our above discussion of the health sector shows, there's a time lag between the start of external policies and trends and their impact on talent pipelines. A further time lag occurs between the introduction of a talent management policy and its effect on an organisation. During this time organisational strategic imperatives will almost certainly have changed.

Talent arrangements take time and if organisational time horizons are reducing to 1-2 years it makes talent managers jobs difficult, if not impossible.

Let's imagine a publishing company which is reviewing its strategies and in parallel looking at the talent requirements, changes in the market and industry will require.

FABELLA LTD

A publisher of hardback books: novels, biographies and non-fiction books in areas such as sport, social history, fashion and style. UK based, it sells overseas and paperback rights via book fairs. Excellent sales of a couple of film stars' biographies have given it a good cash and credit position but they're aware this has, to some extent, been luck. They manufacture in the Far East and employ around 70 staff. The company is owned by the directors in partnership with a VC company after a buy out from a larger group.

Ten year strategic analysis suggests:

The appetite for film stars biographies is rapidly waning.

The most buoyant areas of publishing at the moment are cookery and children's books but demographics suggest that in five years time, self help books for people aged 50+ will grow hugely.

Sales of printed books will fall in the UK over the next ten years, but grow in emerging economies such as China and India.

Explosive growth is expected in digital books: either for dedicated electronic book readers or for download onto new text-friendly i-pod type devices.

Low literacy levels in the UK are a worry, as is: an absence of digital expertise within the company and a difficulty in recruiting sales staff due to relatively low remuneration packages in publishing as compared with, say, new technology industries.

A simplified initial analysis of the talent needs of the company would need to reflect changing priorities over the next 5 years. The company might decide on the following key actions, which would need further breaking down:

IMMEDIATE: Employ two key publishing staff with a track record in children's and cookery publishing. Work on and implement a new incentive system for key sales staff. Implement development programme for UK editorial staff to develop possible publishing expertise for redeployment. Use this to identify possible redeployment candidates. Implement diversity training for management team. Work on engagement needed at the start of a programme of fundamental change.

+1 YEAR: Investigate moving text editorial work to India where a new unit would be set up to handle all editing functions.

+3 YEARS: Recruit (or promote from within) self-help publishing group under an experienced publisher with the range of skills and talents to create and deliver a list in +5 years. Implement development programme for digital publishing expertise for all staff. Recruit digital specialist from IT industry to head up UK end of next 2 years development.

+5 YEARS: Recruit Head of Chinese operation to build digital focused publishing and manufacturing group in China and sell into Chinese market. Develop Indian operation at same time, seeking to promote a new manager from within.

The board of FABELLA has in effect created the outline of a manpower plan. This needs more detailed work to turn it into a talent plan, and the identification of the precise competences and skills needed. But it can be revisited, updated and amended in line with changing business priorities over time.

However, it is only one plan, resting on a series of more or less certain assumptions. William Goldman, the great Hollywood script writer suggested that 'anyone who claims to be able to predict which films will be successful is a fool.' But any functional manager knows that a prediction or plan will be treated as 'fact' the further up the planning cycle it moves.

One of the ways of coping with this is to produce a number of plans based on different assumptions. Marketing and Sales Directors often produce three sales and overhead predictions based on best, worst and median scenarios.

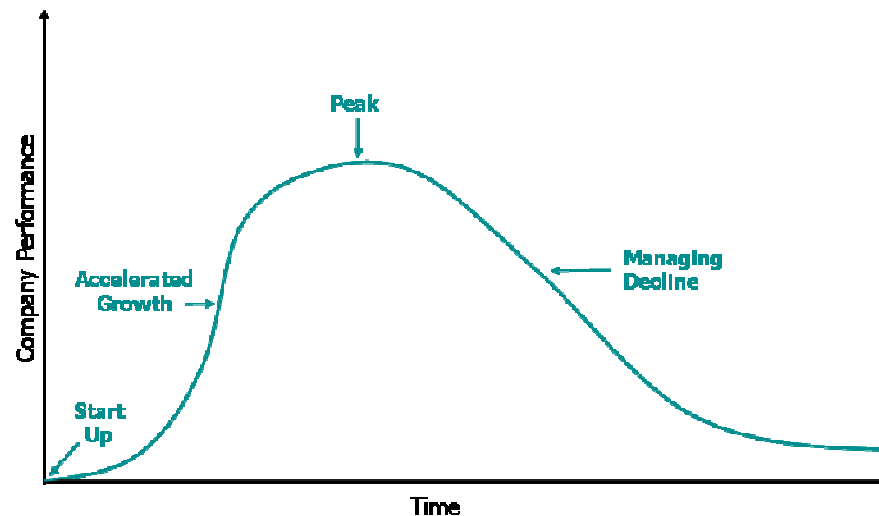
We should therefore be talking about talent and succession 'plans' rather than a plan. At any one time we should be looking at more than one plan – each based on different scenarios and assumptions. In the case of FABELLA, one could argue that their assumptions about cookery and children's books could be overturned by a number of external issues (resource scarcity, growing calls to limit population, the absolute limit on the number of cookery books anyone needs). Equally, India's cost advantages in certain areas is being eroded.

This does not completely solve the problem of the mismatch between the time taken to build a talent programme and the much shorter cycle of strategic decision-making. Our argument that we need a more 360° view of talent does add more flexibility into the situation. To quote ourselves: *Talented people (however you define them) are both talented and people.* Define your talent needs very specifically based on one uncertain future scenario, then recruit for those skills, and organisations have very little leeway. Define a number of scenarios, recruit key skills but also look at wider attributes – including trainability and learning orientation – and it's possible to change focus very quickly.

One final point on this. Well-trained HR managers understand risk, uncertainty and the degree of 'tolerance' in predictions as well as and, in some cases better than, other functional managers. BPS Level A training introduces the concept of error in measurement and tools such as Standard Error of Measurement. While these are applied to tests and other measuring tools in their role as predictors of individual performance, it would not take too big a leap to apply them to wider organisational predictions. Looking at alternative talent needs defined by time and varying assumptions suggests another way in which HR and talent staff can impact on overall strategy.

4.3.3. Business cycle analysis

The human requirements of a knowledge start up are very different from those of a fully mature multinational retail organisation. The core skills that will define sustainable future success or failure will be very different.



This curve maps performance over time. It could describe an organisation, a new product, brand or an SBU. The x axis measures time. The y axis tracks generalised 'performance': separate curves could be drawn for revenues, profit, cash, output and these would look more or less different.

An adapted version of this shape is common to many phenomena in nature, charting the progress from creation to dissolution⁶. The precise details (the angle of the lines, how long the peak lasts) will change in specific cases: a well-run company for instance will stay at peak performance longer than one which is badly run.

But, for the purposes we have tracked the notional general health of an organisation The curve passes through four stages and, at each stage a different talent strategy might be needed.

Start Up: would probably require creative skills, verbal communication (in small non-bureaucratic teams), energy and good physical health (underrated talents in organisational thinking), informal sales and networking skills. Leadership is paramount in motivating staff through frequent disappointments. One could argue that they key talent set required here is a 'somatic' one: good health, high energy, little need for sleep!

Accelerated Growth: leadership skills become crucial as early pioneers become disenchanted with new arrivals. It suddenly becomes urgent to get succession sorted out since so much is in the heads of the original employees. More specialism takes place and specialised recruitment to capture specific talents becomes central. IT skills to set up transaction, process and recording systems need to be developed. Development programmes replace enthusiasm with professionalism. Legal talent becomes crucial – usually outsourced in the UK – if IP is involved or large supply chain contracts are central.

The Peak: would require sales, marketing, packaging and management skills. Negotiation would be key. It's also worth noting that at this stage, leadership/strategic skills are crucial in conceptualising what happens when performance dips. Almost

⁶ The work of Peter Robertson and other thinkers in the field of business ecology in this area show how businesses follow this curve in the real world but point out that they don't have to 'die'. Businesses reinvent themselves. See Robertson's book 'Always Change A Winning Team' (Cyan Publishing) for his use of a derivative of this shape: The S curve.

certainly high level finance skills are needed to negotiate sources of revenue and handle acquisition, partnership opportunities.

Managing Decline: Here cost control is paramount. If sales and market penetration are falling or staying static, profitability and therefore the justification for the company, can only be supported through cost control.

Obviously the skills mentioned here will be influenced by other factors (the industry sector for instance, how the organisation is organised and run and how far an SBU or subsidiary diverges from the parent's core business) but this sort of analysis highlights two linked points:

- talent is all too often conceptualised in terms of 'stars': the high profile skills such as creativity, specialist knowledge and charismatic leadership. Backroom skills (in, say, finance, building systems, and project management) are often seen as bureaucratic. But high levels of performance in these areas can be just the talent you need to navigate certain stages of the business cycle;
- the further you go round the curve, the more important these 'bureaucratic' skills are. Organisations start as (often) naive anarchies and end as (hopefully, not too rigid) structures.

4.3.4. Competitive advantage analysis

This looks at some of the same issues as business cycle analysis of talent but from a slightly different perspective.

One of the building blocks for ultimate performance is making your organisation different, in a way that customers value, to achieve sustainable competitive advantage. In mature, highly competitive markets with fast communication and concerted schedules to market, people are an increasingly important – some would say, the crucial – element in achieving this.

Talent management strategies are therefore key to wider positioning and differentiating strategies.

This thinking stems from Michael Porter's *Competitive Advantage Model*. The basis of above-average performance within an industry is sustainable competitive advantage. Porter identifies 3 basic types of competitive advantage:

- *cost leadership:* a firm sets out to become the low cost producer in its industry. If more than one company aim for cost leadership, usually this is disastrous. The package holiday business of the 80s or 90s is a textbook example of this. Cost leadership is often achieved by economies of scale;
- *differentiation:* a firm seeks to be unique in its industry along dimensions that are widely valued by buyers. Areas of differentiation can be: product, distribution, sales, marketing, service, image, and, of course, people;
- *focus:* a combination of the two in which a firm uses cost and differentiation to be best in a segment or group of segments.

Porter's model is extremely valuable but changes in the commercial and wider environment since he developed it and our emphasis on the people aspects of organisational practice, led Crelos to identify four strategies or situations which impact performance.

- Differentiation
- Price

- Size
- Diversification

Each of these will require a different set of core talents.

Differentiation

Pure thinking skills are initially important to define new brands or packaging. But, rather as in a brainstorm, reality-checks and implementation require different sorts of talent – creativity, design, customer understanding, research methodologies and very specific knowledge required by technical products, for instance. Since employees are a prime focus of differentiation, psychological understanding is essential here to understand how behaviour can be described and, where necessary, changed.

Price

As we described in the early section on Competitive Advantage, core talent will focus on 'command and control' of processes and squeezing out inefficiencies. Engagement, performance monitoring, implementing systems, changing the way people work, engagement, reducing staff turnover will be key. Talent management will look carefully at the cost benefits of outsourcing or employing talents. IT skills will be crucial.

Size

Recruiting culture, control of the talent pipeline strategy, evaluating resource needs and culture work are crucial. Leadership skills – particularly communication become essentials does formal succession planning.

Diversification

This is like differentiation in that it requires pure thinking skills followed by implementation skills. It may be that new specific technical knowledge needs to be recruited. In M & A, talent pipelines, talent audit, culture and succession planning across structures become key issues. Recent research by Dr Ken Ideus on jvs, highlights the extent to which organisations concentrate on business issues when looking at any sort of structural re-modelling or extension whereas, in the majority of cases, the failure of these activities is down to human issues. So, high levels of human and psychological understanding are key here.

4.4. Metaphors for talent management

Gareth Morgan's seminal book *Images of Organization* showed how successive metaphors define our view of organisations and help or hinder us in the strategies we undertake. *Domination* is one of the metaphors he identifies. The image of *war* is now widely used in discussing talent strategies: 'the war for talent'. This reflects unfettered market models of economic activity and feeds into the competitive advantage analysis we outlined earlier. It also reflects concerns about skills shortages expressed by, among others, the CBI and the Association of Graduate Recruiters.

Does this image really help? It suggests that talent is a captured territory, to be defended – perhaps put under martial law.

In fact the situation has become more subtle. It is fairly clear that centralised government in mature Western economies cannot or will not supply all the skills and knowledge required by individuals for a life long job, or by organisations looking for people to contribute to challenging rapidly-changing strategies. Organisations are therefore spending hugely on a range of learning and development interventions, from corporate universities to intensive coaching and mentoring programmes. These are mostly organisation-centric and are designed to give organisations competitive advantage. The need to attract and retain scarce 'fully formed' talent has upped the ante of what they offer and promise. This are tactics guided by the metaphor of 'war'

We think another metaphor works better and suggests a different way of approaching the issue.

Talent is an 'ecology'. It develops and changes. It finds a niche where it can receive the resources (pay, work, values) that cause it to flourish. At a certain point it reaches a maximum population for its niche and stabilises. It needs to adapt to changes in external conditions.

And finally and most importantly, *co-operation* is as important as *competition*. Recent advances in negotiation and game theory and in areas such as ethology and complexity theory have provided a more nuanced view of how collective enterprises and ecologies work, replacing a purely competitive model with a more collective one. Perhaps its no surprise that Western views of economic activity are now being challenged in the same way.

This might seem rather theoretical but it has very specific implications for organisations looking for talent.

- Initial education can supply certain skills and it's important that organisations understand what they can expect from different educational pathways, qualifications and institutions. It's also important that they lobby – on an organisational and sectoral basis – for the skills they need.
- Instead of consistently complaining about the lack of skills coming out of educational structures, organisations have to create structures to make up for the lack. This is particularly important in the case of 'talent' which is, in one version, exceptional and not common. This needs a much more nuanced and detailed analysis of needed attributes and their source.
- It also needs a far more stringent look at what works in training, learning and development through more scientific theoretical underpinnings and analysis of what works and what doesn't. Do coaching and mentoring really work in their present forms...or team development? What are the best ways to pass across generalisable skills?
- Obviously some of these interventions will be within-organisation. But there is an argument that co-operation is needed in cases of sectoral talent shortages or shortages across industry. These might take two forms.
 - Sectors might chose to strengthen co-operation between competitors – often via trade associations – to stimulate teaching of core or exceptional skills.
 - Companies from different sectors seeking the same talents might co-operate in setting up academies. This has started to happen in, for instance, the creation of open learning academies to develop junior managers with potential for promotion. In one case we know of, a major insurance company, an airline and a number of other organisations facilitated this process and saw managers from very different sectors, learning key skills from each other in an experiential way.
- The metaphor of an ecology also confirms our view that talent needs to be viewed in a much wider way. Very specialised species die out as the environment changes. More flexible species adapt.
- The idea that you can find fully-fledged talent 'off the shelf' is less and less tenable. Organisations and sectors need a more formal analysis of where skills and talents can be sourced.

Talent is a resource to be shepherded, used when it's essential and effective. It is more like a living thing in its growth and behaviours; rather than a valuable resource to be 'grabbed', exploited for all it's worth then chucked aside when exhausted. Issues spread beyond organisational boundaries (as natural ecology is an extra-national, extra-species issue) and may

need co-operation and negotiation in order to secure supply. We would argue that the simple binary description that either individual companies or the state provides development of talent is out-of-date. Ecologies imply cooperation as well as conflict.

4.5. Talent, Prediction and Precision Business Psychology

Prediction of people behaviours and of future strategic direction is one of the running themes of this paper. Business analysis describes present situations and then uses trend analysis to predict future needs, levels of activity and results. As it takes its place among core business disciplines, Talent Analysis and Management must equally emphasise prediction.

To quote from our recent paper on *Precision Business Psychology*.

"Increasingly sophisticated technology – computer modelling and brain scanning, for instance – are driving new findings in areas such as cognition, behaviour, perception, and creativity as well as the behaviour of people in social and organisational situations. We increasingly understand how specific mental processes relate to the physical architecture of the brain and how those physical structures are changed by new learning and experiences. Better information about how the brain works underpins our increasingly sophisticated accounts of how people actually behave. We are moving away from theory-based descriptions towards more sophisticated predictive models of behaviour."

We would argue that this is just one example where a more scientific approach to people issues is needed. Just to give two instances:

- it's becoming increasingly obvious that coaching, mentoring, team development and learning need to take into account the theories of developmental psychology if they are to have maximum impact;
- evaluation of the success or failure of human interventions is a core part of Occupational Psychologists' training.

This issue was discussed at some length at our Talent Summit, suggesting a more holistic approach to mentoring and coaching drawing on wider psychological understanding of whole human beings. Other points raised included:

- too many psychologists and consultants are wedded to one theory or set of tools rather than focusing on an issues and then drawing on a range of tools;
- psychology, like strategy and talent, is evolving and the nature of positive, unusual talents has received less consideration than deficits or, in recent years, normal functioning;
- while 'folk psychology' – the sorts of ways we all talk about people – is valuable, more detailed and professional psychological skills are needed, particularly where we are dealing with 'exceptions to the rule', which is precisely what talent can be.

To see some of our views on this issue, please see our recent paper on *Precision Business Psychology*. We will also be producing a range of papers and articles on scientific psychology's contribution to a wider range of work issues.

5. Practical implications

Throughout this paper we have mentioned a number of practical ways in which talent management can seek to overcome some of the problems associated with this area and can meet the rapidly changing needs of the economic environment. Among these are:

- Talent managers should work as closely as possible with strategic marketing and planning managers to map talent plans onto future predictions of organisational needs

as well as external factors such as demographics, legal frameworks, cultural influences etc.

- This implies a multiple approach to talent and succession plans: basing them on a number of different assumptions.
- Talent strategies must be contextualised in terms of sectors, business cycle, time lines and competitive strategy and positioning.
- Source analysis – can the talent come from education, from the organisation’s own efforts or from co-operation – is crucial.
- Talent programmes must also be explained carefully via internal marketing to ensure that they do not demotivate people outside them. It’s been impossible in certain places in this paper not to imply that talent is exceptional and special. In certain situations it will be marked out by special treatment. But we need to be aware of the damage this can do and use open communication and specific management techniques to cope with these consequences.
- Talent recruitment and development must look more widely than simply the identification and development of separate core skills if they are to avoid burn out, ‘can-but-doesn’t-want-to’ effects. This approach will also increase the flexibility of talent and succession pools to adapt to changed strategic priorities.
- Talent managers need therefore to assess issues such as motivation, aspiration and trainability as well as specific skills.
- They must also insist on predictive robustness in models and tools they use. Suppliers have not been good at investing in the research required to produce predictive equations for tools, or evaluate their outcomes.
- Explaining what the aims of the organisation are and talents’ role in achieving those aims is as important as finding out what specific skills are required in the talent pool. Organisational aims and purposes are a key concern of new talent ecology entrants.
- Talent development in cases of scarcity will need sectoral and cross industry co-operation as well as individual organisational initiatives.
- There’s a need for more scientific approaches to assessment, training and mentoring/coaching.
- We also need to set up more stringent longitudinal analyses of what has and hasn’t worked.

5. Acknowledgements

In producing this paper specific contributions have been made by a number of members of the Crelos Talent Network hosted by Ali Gill. A specific thank you to: Barbara Simpson, Reed Sylvester, David Thompson, Sarah Clark, Claire Thompson, Jon Matthews, Ian Florance and Rosalind Ayres.

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