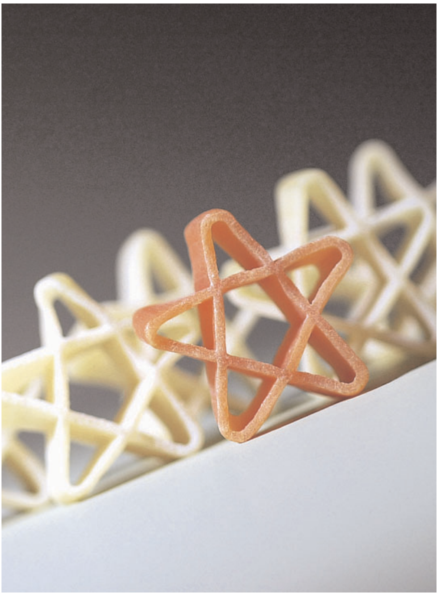
Perspectives

More than Talent



The Boston Consulting Group

More than Talent

The economic exuberance of the 1990s brought with it an almost elitist exaltation of the high-performing individual. For companies seeking to achieve superior corporate performance, the only thing that seemed to matter was to get, motivate, and keep "talent." The standard scenario went something like this:

Problem: Organizational complexity is causing poor performance. There is not enough personal accountability and capability.

Approach: Aggressively simplify the organization and add personal performance disciplines, frequently in the form of targeted earnings numbers and linked financial incentives. To help managers take the strain, train them in leadership and "personal mastery."

Solution: An "atomized" organization with small business units, empowered business-unit heads, and "born again," socially competent managers able to establish effective personal networks whatever the hierarchical structure.

It wasn't a bad idea, but it was just one idea. Focused solutions such as this one often ignore second-order effects and can be counterproductive. If making the numbers is all that performance is about, and if personal pressure and rewards are high, then managers may find ways to cheat the system to make those numbers. They may focus on their personal advantage, even if doing so destroys value for the company. In fact, there is good evidence that this is exactly what some managers did.

Putting better controls in place doesn't really help, because there is a more basic problem. You cannot get "there"—to higher performance that creates value for the organization's stakeholders—by working only through individuals.

Companies that have no particular ability to add value to talent, but that go ahead and hire top talent anyway, simply end up paying their employees a lot without creating superior profit. Senior executives need to build platforms and interactions that enhance and combine employees' talents in order to create and capture corporate value.

Platforms and Interactions

An organization can leverage human capabilities in two basic ways: by the way it interacts with its employees and potential employees (human resources processes and internal communications) and by the way it sets up the platforms for interactions among employees and between employees, customers, and suppliers (organization design).

In traditional manufacturing businesses, plant and equipment provide a standardized physical platform for interactions among employees. Process flows constrain organization design and vice versa. The same is true in simple services, where information and communications technologies often take the place of plant and equipment in setting bounds on employee interactions.

In sophisticated services, knowledge businesses, and the upper echelons of large corporations, platforms for employee interactions are crucial, but interactions are not standardized and not bounded by process flows. What is at stake in these interactions is not only doing things right (effective execution) but also doing the right things (relevant strategy) by deriving an adequate knowledge of the competitive battlefield from the series of weak signals emerging from the marketplace. Indeed, an organization's ability to move from *information* (piecemeal, fuzzy, contradictory) to *knowledge* (sense making, direction setting, or even just problem raising) depends on interaction.

Only interactions among information holders will connect the bits and bites and ensure proper detection, transmission, and interpretation for action. Employees have substantial autonomy in how they interact. But they are not totally at liberty. If the corporation is completely "atomized," you might as well break it up, because the whole is worth no more than the sum of its parts. Organizational hierarchies, internal markets, and networks provide resources, set constraints, and define the possibilities and probabilities for interactions. At their best, they create an organizational context that makes value-adding cooperation in pursuit of company strategy a solution for employees, rather than just an additional constraint on top of their "normal" duties.

Loosely structured interactions mean, of course, that management's job becomes more complex and that there is no longer the luxury, even in addressing operations issues, of focusing simply on individuals and how to motivate and control them. Instead of trying to convince people that they should behave differently, it may be more effective to adjust the context for individual behavior and the platforms for collaboration. Senior managers need to understand the organizational dynamics—the actors and their objectives, resources, and constraints (such as their dependence on other functions that fail to cooperate). When they do, they can reset the pulse of information and decision-making flows so that loosely structured processes can perform without management's having to intervene constantly to motivate and police individuals.

A New Scenario for Improvement

So where does this put us today in our search for a theory of performance improvement? Still imperfect but less simplistic, the scenario looks like this:

Problem: Poor organizational performance in a large, complex enterprise for reasons not fully understood.

Approach: Companies are human systems—people and interactions, not just people and not just interactions. Understand whether you have the needed talent, but also understand the quality of the underlying HR processes, employee engagement, and organizational dynamics. If people are the problem, make sure to improve HR processes as well as find new talent. Otherwise, the problem will repeat itself and the fix will be expensive. Remember that employees, as people, have their own objectives—and these are not just financial objectives. To engage employees, the company must meet its objectives in a way that also meets its employees' objectives. If company and employee objectives are not aligned, find a way to align them by changing the organizational context, the communication, or the employees; don't expect to do it by changing deep-rooted employee psychology. The simplest organization is not always the best. Teaming across the organization raises complexity and imposes constraints on employees, but it also can add great value.

Solution: An adaptive organization that interprets and acts on new signals coming from the marketplace. An organization that attracts and builds talent, and doesn't simply buy it, and that engages employees for results by combining performance disciplines with personal motivators. A collaborative organization that provides employees considerable freedom of action but also hard-wires effective teaming into the structure, incentives, and communication platforms. An organization on the move that engages, teams, and performs.

Obviously, this task is not easy or straightforward. But it is a task well worth pursuing.

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