Competing Through People: Making Talent the Difference Between Success and Failure

Michael Couch, SPHR, HCS
President, Michael Couch and Associates Inc.
2016
Organizations with higher **Organization Culture** clarity and alignment outperform those with low clarity and alignment on

- Return on Assets
- Return on Shareholder Equity
- Sales Growth
- Market to Book Value
- Customer Satisfaction
- Employee Engagement
High Performing Organizations* are:

3x More effective at Leadership Development

3.5x More effective at Succession Planning

* In Revenue Growth, Market Share, Profitability and Customer Satisfactions
Over a period of 10 years, the top 25 companies on key **Leadership Development** criteria outperform the worst 25 by

- 19 points in Market Capitalization Growth
- 44 points in Shareholder Return
“Today’s marketplace is incredibly competitive in every industry around the globe. The difference between success and failure is **talent**, period.”

Indra Nooyi  
Chairperson and Chief Executive Officer  
PepsiCo
Competing Through People

- Metrics
- Aligned and Differentiate
- Effective Talent Assessment
- Clear and Aligned Culture
- Built from Strategy

Track Progress
Consistency & Effectiveness
Valid, Reliable Decisions
Impact on Results
Relevance
Competing Through People Quiz

1. You can clearly describe the link between business strategy and your talent strategy

2. You regularly assess, improve and leverage your organization’s culture

3. You know the roles that provide the greatest Return on Improved Performance

4. You know the leadership competencies that are critical to strategic success

5. You regularly assess talent

6. You know in which leaders to selectively invest to get the biggest bang for your buck

7. T&D is more development than training

8. Talent development involves challenging jobs, assignments and projects

9. You have measures in place to track the impact of talent management processes

10. Your talent management processes are integrated, aligned and differentiated
Your Challenges?
Competing Through People

- Metrics
  - Aligned and Differentiate
  - Effective Talent Assessment
  - Clear and Aligned Culture
  - Built from Strategy

Key Elements:
- Track Progress
- Consistency & Effectiveness
- Valid, Reliable Decisions
- Impact on Results
- Relevance
Strategy-Driven Organization Development℠

- Business Strategy
  - Organization Demand
  - Leadership Capability
    - Strategic Talent Management
Strategy Driven Organization Development

Business Strategy

Talent Management

Put Strategy First, Not People

Be a Business Advocate First, A People Advocate Second
In which role would you invest the most to improve employee performance?
The ABC’s of Roles

A Roles
• Direct strategic impact
• Create growth & value

B Roles
• Indirect strategic impact
• Support growth & value creation

C Roles
• Little strategic impact
• Little economic impact

Pivotal
Enabling
Business Necessity

All jobs are important
Not all jobs have equal strategic value

Adapted from Huselid, Becker, & Beatty. HBR, December 2005
Mission
Critical Roles

Invest to Create and Drive Value

© Michael Couch & Associates Inc. 2010 All Rights Reserved.
Mission Critical Competencies

Key Organization Capability
- Execution and Decision Making
- Innovation Leadership
- Focusing on Customers
- Upgrading Workforce
- Focusing on Core Capabilities
- Building Competitive Advantage
- Engaging Employees

Critical Leadership Competencies
- Innovation Management
- Strategic Agility
- Business Acumen
- Perspective
- Managing through Systems
- Managing and Measuring Work
- Timely Decision Making
- Organization Agility
- Drive for Results
- Motivating Others
- Managing Vision and Purpose

Strategic Effectiveness Architect®
Leadership Architect®
Building Competencies

• Don’t start from scratch
• Focus on the future
• Model High-Potential, High-Performers
• Model roles NOT departments and titles
• Validate against the strategy
Competing Through People

- Metrics
- Aligned and Differentiate
- Effective Talent Assessment
- Clear and Aligned Culture
- Built from Strategy

Track Progress
Consistency & Effectiveness
Valid, Reliable Decisions
Impact on Results
Relevance
Organization Culture

1. Practices and behaviors that exemplify the underlying beliefs, values, and assumptions held by members of an organization

2. How things get done around here
Culture Truths

Behavior defines culture

Measurable and Manageable

Culture affects performance

The law of culture outweighs all other laws

Source: Consulting Psychology Journal: Practice and Research
Consulting on Culture: A New Bottom Line
Denison Culture Model

Mission
Do we know where we’re going?

Consistency
Can we execute?

Involvement
Is everyone aligned, engaged and capable?

Adaptability
Are we listening to the marketplace?
Denison Culture Model

- Revenue
- Market Share

All 4 Factors positively related to ROA
High level of clarity & alignment

Mix of clarity & confusion

Confusion & uncertainty reigns
Culture and Performance

<table>
<thead>
<tr>
<th></th>
<th>Bottom 25%</th>
<th>Top 25%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Return-on-Assets</strong></td>
<td>2.3%</td>
<td>3.2%</td>
</tr>
<tr>
<td><strong>Sales Growth</strong></td>
<td>1.4%</td>
<td>23.1%</td>
</tr>
<tr>
<td><strong>Market-to-Book Ratio</strong></td>
<td>2.6</td>
<td>4</td>
</tr>
</tbody>
</table>
Culture Assessment Should Do 3 Things

1. Start honest conversations that . . .
2. Lead to thoughtful actions that . . .
3. Result in improved performance
Competing Through People

Metrics

Aligned and Differentiate

Effective Talent Assessment

Clear and Aligned Culture

Built from Strategy

Track Progress

Consistency & Effectiveness

Valid, Reliable Decisions

Impact on Results

Relevance
The best assessment tool:

• Honest and open conversations about performance and potential
• Assessment of talent capabilities and gaps through robust talent reviews

Talent Assessment Keys

- Trained facilitator
- Assessment interviews
- Group calibration
- Multiple assessment sources
- Objective, candid discussions
- Focus on behaviors and impacts
- Targeted Action Planning

“Behavior-Based 270’s”
Talent Assessment

- Stand-out Strengths
- Development Needs

• Performance Effectiveness
• Growth Potential
Performance Effectiveness

Ability to consistently deliver results over time

- Significant accomplishments and achievements
- Contributions to the success of others
- How others react to this person
- Performance-related problems
Willingness and ability to learn from experience (Agility)

– Apply learning in new situations
– Response to diverse, intense, varied and adverse assignments and challenges
– Demonstrate superior performance under first-time or different conditions
– Learn new competencies in order to perform
# Organization Capability

## Talent Assessments

### Organization Capability

<table>
<thead>
<tr>
<th>Agile</th>
<th>Performance Effectiveness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diamond in the Rough (6)</td>
<td>Exceptional (4)</td>
</tr>
<tr>
<td>Emerging Leader (8)</td>
<td>Solid (2)</td>
</tr>
<tr>
<td>High Potential (9)</td>
<td>Less Effective (1)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Growth Potential</th>
<th>Agile</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expandable</td>
<td>Questionable Fit (3)</td>
</tr>
<tr>
<td>At Potential</td>
<td>Adaptable Contributor (5)</td>
</tr>
<tr>
<td></td>
<td>Adaptable Performer (7)</td>
</tr>
<tr>
<td></td>
<td>Marginal (1)</td>
</tr>
<tr>
<td></td>
<td>Solid Performer (2)</td>
</tr>
<tr>
<td></td>
<td>High Professional (4)</td>
</tr>
<tr>
<td>Performance Effectiveness</td>
<td>Growth Potential</td>
</tr>
<tr>
<td>---------------------------</td>
<td>------------------</td>
</tr>
<tr>
<td>Exceptional</td>
<td>High Potential</td>
</tr>
<tr>
<td>Solid</td>
<td>Adaptable Leader (5)</td>
</tr>
<tr>
<td>Solid Effective</td>
<td>Diamond in the Rough (6)</td>
</tr>
<tr>
<td>Less Effective</td>
<td>Marginal (1)</td>
</tr>
</tbody>
</table>
Keys to Building Organization Muscle

- Metrics
  - Align and Differentiate
  - Effective Talent Assessment
  - Clear and Aligned Culture
  - Built from Strategy

Track Progress
Consistency & Effectiveness
Valid, Reliable Decisions
Impact on Results
Relevance
Strategy Driven Organization Development℠

- Business Strategy
- Organization Demand
- Organization Capability
- Strategic Talent Management
Strategic Talent Management Priorities

A. Remove 1,2,3’s from Pivotal Roles
B. Move 7,8,9’s out from under 1,2,3 Leaders
C. Challenge, Develop and Reward 7,8,9’s
D. Retain, Engage and Leverage 4’s
E. Engage and Stretch 5’s
F. Improve 6’s performance
G. Test and Re-engage 3’s
H. Develop 2’s to become 4,5’s
I. Address 1’s
Aligned and Differentiated Talent Processes

Compensation System is not aligned

Growth Potential

Performance Effectiveness

<table>
<thead>
<tr>
<th>Growth Potential</th>
<th>Performance Effectiveness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agile</td>
<td>CompRatio</td>
</tr>
<tr>
<td>At Potential</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Agile</th>
<th>At Potential</th>
<th>CompRatio</th>
<th>Performance Effectiveness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agile</td>
<td>Less Effective</td>
<td>1.02</td>
<td>1.04</td>
</tr>
<tr>
<td>Agile</td>
<td>Solid</td>
<td>1.00</td>
<td>1.03</td>
</tr>
<tr>
<td>Agile</td>
<td>Exceptional</td>
<td>1.23</td>
<td>1.03</td>
</tr>
</tbody>
</table>

© Michael Couch & Associates Inc. 2010 All Rights Reserved
Aligned and Differentiated Talent Processes

Compensation System does not differentiate
## Aligned and Differentiated Talent Processes

<table>
<thead>
<tr>
<th>Growth Potential</th>
<th>Agile</th>
<th>Expandable</th>
<th>At Potential</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance Ratings</td>
<td>5.0</td>
<td>4.4</td>
<td>4.3</td>
</tr>
<tr>
<td>(6 Point Scale)</td>
<td>5.0</td>
<td>4.7</td>
<td>5.0</td>
</tr>
</tbody>
</table>

- **Performance Management Process is not aligned and does not differentiate**

- **Performance Effectiveness**
  - Less Effective
  - Solid
  - Exceptional
Differentiated Talent Management

- **Agile**
  - **Growth Potential**
    - **At Potential**
      - Exit
    - **Expandable**
      - Solid
      - Exceptional
    - **Less Effective**
  - **Performance Agility**
    - 6
    - 8
    - 3
    - 2
    - 4
    - 7

- **Train, Deploy, Keep Competitive & Engage**
  - Develop, Coach, Manage Assignments, Promote & Reward
## Differentiated Development Strategies

<table>
<thead>
<tr>
<th>Developmental Jobs Confirm</th>
<th>Actively Develop Performance for the Next Level of Leadership</th>
<th>Actively Develop For Next Level of Leadership</th>
</tr>
</thead>
<tbody>
<tr>
<td>Careful Next Assignment Engage and Motivate</td>
<td>Build Future Value Motivate and Reward</td>
<td>Actively Develop Agility for the Next Level of Leadership</td>
</tr>
<tr>
<td>Take Action</td>
<td>Continue Technical Roles</td>
<td>Build Future Value Motivate, Reward and Retain</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Less Effective</th>
<th>Solid</th>
<th>Exceptional</th>
</tr>
</thead>
</table>

**Performance Effectiveness**
“We fire better than we hire . . . and we are very good at hiring.”

“Hire hard, manage easy, fire fast.”
“There’s no room for brilliant assholes at Facebook.”
## Differentiated Talent Strategies

<table>
<thead>
<tr>
<th>Role Type</th>
<th>Pivotal</th>
<th>Enabling</th>
<th>Business Necessity</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Staffing</strong></td>
<td>Planned Internal Back-Up</td>
<td>Wait for a Vacancy</td>
<td>Why fill?</td>
</tr>
<tr>
<td><strong>Pay</strong></td>
<td>At Risk Bonus</td>
<td>Job Level</td>
<td>Market Increase</td>
</tr>
<tr>
<td><strong>T&amp;D</strong></td>
<td>Lots of D Some T</td>
<td>Lots of T Some D</td>
<td>Training</td>
</tr>
</tbody>
</table>

Adapted from Huselid, Becker, & Beatty. HBR, December 2005
Competing Through People

- Metrics
- Align and Differentiate
- Effective Talent Assessment
- Clear and Aligned Culture
- Built from Strategy

- Track Progress
- Consistency & Effectiveness
- Valid, Reliable Decisions
- Impact on Results
- Relevance
Talent Metrics

High Performing Organizations:

- Can demonstrate that talent management efforts are successful
- Have specific talent measurement strategies or scorecards in place

Talent Management Measurement Pulse Survey
Talent Metrics

Time 1

- Improved Capability
- Impact

Time 2
Other Talent Metrics

- Pivotal Role internal placement rate
- A Player separation rate
- Ratio of A Players to C & D Players
- % Pivotal Roles with ready backup
- % High Potentials with development plans
- New hire Capability Matrix (Quality of hires)
- Retention by talent pool (Quality of Attrition)
- Quality of talent pools
Other Talent Analytics

- **Cell Measures:**
  - Retention/Turnover
  - CompRatio
  - Total Compensation
  - Last Increase
  - Performance Review

- **2D, 3D or 4D Slices by:**
  - Talent Pools
  - Pivotal Roles
  - New Hires
  - Time in Position
  - Service
  - Diversity
  - Function
  - Internal v. External Placement

The 9 Box on Steroids
Competing Through People Journey

- **Transactional**
- **Operational**
- **Strategic**

Integrated with Business Planning
Leader and Employee Self-Service
Share Talent
Talent Measurement
Integrated Talent Processes
Leadership Accountability
Talent Management Systems
Pivotal Roles
Competency Models
Talent Assessments
Back-up Lists
Manager Assessments

Value

Investment

© Michael Couch & Associates Inc. 2010 All Rights Reserved. www.mcassociatesinc.com
People are NOT your most valuable asset
People with the Right Skills in the Right Roles doing the Right Things at the Right Cost are your most valuable asset
Related Articles

www.mcassociatesinc.com

• Building a Robust Succession Management Process

• Top 10 Signs that You Are NOT Taking a Strategic Approach to Talent

• Succession Planning is Not Just Succession Planning

• Assessing Your Organization's Talent

• Talent Management Derailers: Keys to keeping your talent train on the track

• Strategy-Driven Organization Development: HR's Opportunity to Shine

• The Best Way to Waste Money on Training: Remedies for low-impact training

Sign up for my newsletter: Competing Through People
Scan for more information or to contact Michael

Michael@mcassociatesinc.com
412-952-9036