Competing through People: Building a Strategy-Capable Organization
People are your most valuable asset
Most Valuable Asset?

Facebook Sets Historic IPO

Potential $10 Billion Offering Would Dwarf Google

By SHAYNDI RAICE

Facebook Inc. filed for an initial public offering Wednesday, putting the social network between $75 billion and $100 billion, putting the on the biggest U.S. stock-market debuts of all time.

Brand

Customer Base

Intellectual Property
People are NOT your most valuable asset
Talent is an asset only to the extent that it makes a difference in executing strategy
Building a Strategy-Capable Organization

“Building Organization Muscle”
Keys to Building Organization Muscle

- Metrics
- Accountable Leaders
- Aligned & Differentiating Talent Processes
- Effective Talent Assessment Methodology
- Driven from Strategy

Impact & Progress
Results
Consistency & Effectiveness
Good Decisions
Relevance
Top 10 Signs That You Are NOT Taking A Strategic Approach To Talent

1. No one can describe the link between talent and strategy
2. Your company says it has an “Employees First” strategy
3. Executives are not held accountable for managing talent
4. Competency models are not strategy-driven
5. Don’t selectively invest in high-value employees
6. HR spends the most time on recruiting and employee relations
7. Poor performance is tolerated
8. You use a “Peanut Butter” approach to compensation
9. Training & Development is all “T” and no “D”
10. HR says employees are their customers
Your Challenges?
Strategy Driven Organization Development℠

Business Strategy

Organization Demand

Organization Capability

Organization Development Plan

Put Strategy First, Not People
Business Strategy – Driving Force

Driving Force: How organizations exert different driving forces demand different organizations

Adapted from Tregoe and Benjamin, 1980
Manufacturing Case Study - Strategy

- Slow Growth
- Mature Markets
- Declining Margins
- Domestic Focus
- Relationship Selling
- Increased Competition
Driving Force: Products and Services Offered

- Development, promotion, and delivery of new products and value-added services
- Existing and new markets
Strategy Driven Organization Development℠

Business Strategy

Organization Demand

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Organization Development Plan

Key Roles
Key Competencies
The ABC’s of Roles

A Positions
- Direct strategic impact
- Create growth & value
- Mistakes impact revenue

B Positions
- Indirect strategic impact
- Support growth & value creation
- Mistakes are costly

C Positions
- Indirect strategic impact
- Support business processes
- Not necessarily costly

All jobs are important
Not all jobs are Pivotal

Adapted from Huselid, Becker, & Beatty. HBR, December 2005
Roles the Create Growth & Value

Agricultural Tractors

- Dealer Service: 0.23
- Machine Operation: 0.19
- Machine Productivity: 0.15
- Training: 0.15
- Order & Delivery: 0.08
- Machine Reliability: 0.07

Quality: 0.62
- Brand/Image: 0.10
- Price Fairness: 0.28

Value

Market Share/Revenue Growth
Manufacturing Case Study - Demand

Create a Growth Infrastructure

- New Products and Services
- Value Marketing and Pricing
- Team-Based Consultative Selling
- Margin Improvement
Manufacturing Case – Pivotal Roles?

Create the Growth Infrastructure

- Product Development
- Sales & Marketing
- Product Management
- Order Fulfillment Value Stream
Organization Demand

Regional Human Services Non-Profit

Past
- Good Brand Recognition
- Reliable Funding
- Social Service Experts
- No Competition
- Inconsistent Execution
- No Processes
- Little Collaboration

Future
1. Execution and Decision Making
2. Innovation Leadership
3. Focus on Customers
4. Upgrade the Workforce
5. Focus on Core Capabilities
6. Build Competitive Advantage
7. Engage Employees

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Organization Demand - Competencies

Business Strategy

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

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®
Strategy Driven Organization Development℠

- Business Strategy
- Organization Demand
- Organization Capability
  
- Organization Development Plan
Building Organization Muscle

Metrics

Accountable Leaders

Aligned & Differentiating Talent Processes

Effective Talent Assessment Methodology

Linked to Strategy

Good Decisions

Business Strategy

Organization Demand

Organization Capability

Organization Development Plan
## Talent Assessment Tools

<table>
<thead>
<tr>
<th>Tool</th>
<th>Validity</th>
<th>Reliability</th>
<th>Face Validity</th>
<th>Utility</th>
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<tbody>
<tr>
<td>Manager Assessments</td>
<td></td>
<td></td>
<td>✓</td>
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<tr>
<td>Testing</td>
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<tr>
<td>Assessment Centers</td>
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<td>✓</td>
<td>✓</td>
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<tr>
<td>Talent Reviews</td>
<td>✓</td>
<td>✓</td>
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<td>✓</td>
</tr>
</tbody>
</table>
Reliability of Manager Assessments

6,000 leaders evaluated by two bosses

80% rated above average

- 15% rated “outstanding”
- 17% rated “average” or lower
- Disagreed 62% of the time
- Disagreed 39% of the time
Organization Capability Assessment

- “... honest and open conversations about performance and potential.”
- “... honest assessment of talent capabilities and gaps through **robust talent reviews**.”

Talent Reviews

Reviewers

Head of Unit

Direct Report A
Direct Report B
Direct Report C
Direct Report D

Report 1
Report 2
Report 3
Report 4
Report 5
Report 6

Reviewed
Talent Review Keys

- Trained facilitator
- Objective, candid discussions
  - No paperwork or preparation
- Multiple assessment sources
  - Not just HR or Manager
- Focus on behaviors and impacts
- Targeted Action Planning

“Behavior-Based 270’s”
Talent Assessment

- Strengths
- Development Needs
- **Performance Effectiveness**
- **Growth Potential**
- Opportunities, Back Up, Succession
- Turnover Risk
- Turnover Impact
- Next Position Readiness
Organization Capability Assessment

<table>
<thead>
<tr>
<th>Performance Effectiveness</th>
<th>High Potential</th>
<th>Marginal</th>
<th>Passenger</th>
<th>Disengaged</th>
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<tbody>
<tr>
<td>Growth Potential</td>
<td>Promotable</td>
<td>Expandable</td>
<td>Limited</td>
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<tr>
<td></td>
<td>Diamond in the Rough</td>
<td>Emerging Leader</td>
<td>Adaptable Performer</td>
<td>High Professional</td>
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</tbody>
</table>
“Not everybody is created equal, and it’s important for companies to identify those high potentials and treat them differently, accelerate their development and pay them more. That process is so incredibly important to developing first-class leadership in a company.”

Anne Mulcahy
Chairwoman and Chief Executive Officer
Xerox Corporation

On what she learned as Global Head of HR
“Crack in the Bell Curve”

- A few elite performers contribute the most to organization productivity
  
  \((N = 600,000)\)

Source: "The Best and the Rest: Revisiting the Norm of Normality of Individual Performance", *Personnel Psychology*, 2012
Leaders in high-performing organizations are more likely to have talent-specific goals and objectives.

i4cp Talent Management Measurement Pulse Survey, April 2010
Capability Assessment - Manufacturing Case

- **Promotable**
  - 15
  - 7

- **Expandable**
  - 23
  - 48

- **Limited**
  - $1,448,736
  - 1

**Performance Effectiveness**

- Disengaged
- Solid
- Engaged
Building Organization Muscle

Metrics

Accountable Leaders

Aligned & Differentiating Talent Processes

Effective Talent Assessment Methodology

Linked to Strategy

Consistency & Effectiveness
Capability Assessment - Manufacturing Case

<table>
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<tr>
<th>CompRation</th>
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<tr>
<td>1.23</td>
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</tbody>
</table>

Compensation System is not aligned

Performance Agility

Growth Potential

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Capability Assessment - Manufacturing Case

Comp Ratio for Pivotal Roles

<table>
<thead>
<tr>
<th>Promotable</th>
<th>Expandable</th>
<th>Limited</th>
<th>Disengaged</th>
<th>Enrolled</th>
<th>Engaged</th>
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<td>1.08</td>
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<td>0.98</td>
<td>0.99</td>
<td>1.15</td>
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</table>

Compensation System does not differentiate
Capability Assessment - Manufacturing Case

Performance Ratings (6 Point Scale)

- Promotable: 5.0 5.0
- Expandable: 4.4 4.7
- Limited: 4.3 5.0

Performance Management Process is not aligned and does not differentiate.
HR Process Assessment – Manufacturing Case

<table>
<thead>
<tr>
<th>Importance to Strategy</th>
<th>Present Strength</th>
</tr>
</thead>
<tbody>
<tr>
<td>Critical</td>
<td>Performance Mgt.</td>
</tr>
<tr>
<td></td>
<td>Talent Assessment</td>
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<tr>
<td>Development</td>
<td>Retention</td>
</tr>
<tr>
<td>Selection</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Not So Good</td>
<td>Compensation</td>
</tr>
<tr>
<td>Okay</td>
<td>On-Boarding</td>
</tr>
<tr>
<td>Absolutely Solid</td>
<td></td>
</tr>
</tbody>
</table>

As rated by the Senior Leadership Team
• “Best practice organizations . . .
  – go beyond recruiting-based plans . . .
  – an integrated action plan . . .
  – 4 - 5 most effective talent management changes to close strategic gaps”

Corporate Executive Board 2007
Transactional HR

Hire

Employee Relations

Human Resources

Pay

Train
Strategic Talent Management

- Plan & Deploy
- Acquire
- Connect & Align
- Engage & Retain
- On Board, Performance Management
- Source, Select, Attract
- Organization Culture
- Compensation & Benefits
- Talent Assessment, Succession Management, Measurement
- Train & Development
- Reward
- Competency Models

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Capability Assessment - Manufacturing Case

Pivotal Roles

Clearly defines where to start

Growth Potential
Promotable
Expandable
Limited

Performance Agility
Disengaged
Enrolled
Engaged

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Pivotal Roles - High Risk Incumbents

Reducing Talent risks is key

Companies are losing their high-performing employees

Manpower Group, 2012
Talent Priorities

1. Remove D & E (maybe C) Players from Pivotal Roles
2. Move A & B Players out from under D & E Leaders
   • Particularly At Risk A & B’s
3. Assure A & B Players are challenged and valued
   • Get A Players in Pivotal Positions
4. Develop B Players
5. Stretch High C’s
6. Keep Solid C Players engaged and up-to-date
7. Exit E Players
8. Address D Players
## Differentiated Talent Strategies

### Role Type

<table>
<thead>
<tr>
<th></th>
<th>Pivotal</th>
<th>Enabling</th>
<th>Business Necessity</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Staffing</strong></td>
<td>Never wait Planned Back-Up</td>
<td>Wait for a Vacancy</td>
<td>Why fill?</td>
</tr>
<tr>
<td><strong>Pay</strong></td>
<td>Above Market At Risk Bonus</td>
<td>At Market At Risk Increase</td>
<td>At 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
Building Organization Muscle

- Impact & Progress
  - Metrics
  - Accountable Leaders
  - Aligned & Differentiating Talent Processes
  - Effective Methodology
  - Linked to Strategy
Talent Metrics

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

Talent Management Measurement Pulse Survey
April 2010
Measurement & Tracking

Time 1

- Change
- Impact
- Return on Investment

Time 2
Other 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 talent pools
- Engagement by talent pool
Strategy-Driven Talent Maturity

Value

Investment

Strategic

Leader Driven

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

Operational

HR Driven

Transactional
People are NOT your most valuable asset
The Right People in the Right Roles doing the Right Things at the Right Cost are your most valuable asset.
Related Articles

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- 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

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Scan for more information or to contact Michael

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