

# What is Talent?

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A hard-nosed executive team had heard the rhetoric enough that they began to believe it: *People are our most important asset; It all begins with talent; We need to win the war for talent; Leadership matters more than leaders.* They begrudgingly accept that they should improve their talent efforts. So, with good intentions, they dedicated a half-day to the improvement of talent in their organization. Where should they start? What should they focus on?

Sometimes, when issues become more important, they become less clear. In a normal month, we receive (and even are guilty of sending) dozens of invitations to talent workshops, webinars, and books. There are so many frameworks, tools, platitudes, programs, and promises in the talent domain that it is easy to get lost in the rhetoric. So, the half-day on talent becomes a rather nebulous reaffirmation

that talent matters, an acknowledgement that leaders must invest in talent, recognition that training alone is not sufficient for developing talent, an awareness that employee engagement does indeed lead to higher productivity and a renewed commitment that good employees need to be hired and retained. Executives leave the meeting having checked off the talent review, but not really making concrete progress on improving talent.

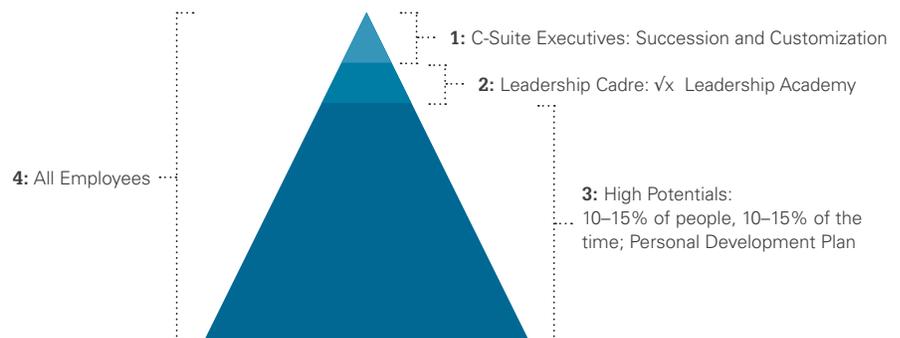
In the spirit of taxonomy and simplicity, we have identified four talent choices that senior executives can focus on when they invest time and energy to improve their talent. These are summarized in Figure 1.

When executives make choices for each of these four target groups, they can turn talent rhetoric into specific actions and results.

### 1: C-suite Executives: Succession and Customized Experiences

At the top of every organization are the C-suite executives. These leaders have risen to the top because of their competencies and commitment. They are generally high performers who have a track record of accomplishment and a demonstrated ability to shape the future, deliver consistent results, engage others, and build the next generation. They have well developed personal awareness and

**Figure 1: Overview of Talent Pyramid and Choices**



interpersonal know-how. They should have the respect of employees, customers, and investors.

When they think about a meeting on “talent,” they often assume that the discussion will be about employees who report directly or indirectly to them, not about themselves. Yet, talent improvement applies to these individuals as well in two ways: succession and customization.

**Succession.** Ultimately, the test of a leader is how they build the next generation of leadership. Every C-suite executive should be worried about succession. In some limited cases, we have found C-suite executives who are threatened by talented subordinates and who fear that their subordinates may outshine them. When these executives make decisions to thwart or hinder the next generation, they undermine their personal credibility and damage the firm’s future.

Succession requires self-confidence that the presence of gifted subordinates is indeed a gift and not a threat. Succession requires thinking about the future requirements of the business and what the business may need when current leaders retire. Succession requires getting to know a broad spectrum of employees who form the talent pool of the future. Succession requires ensuring that talented potential successors have the right set of experiences that will prepare them for the future when they are accountable. Succession requires enormous political tact to determine timing of job assignments and aligned organization processes for moving targeted people into key positions. Succession requires systematic and candid reviews at both the executive and board level about business conditions, key positions, and possible candidates for key roles.

C-suite leaders who are worried about talent spend a large portion of their time thinking about and building their successors. Succession is a primary leadership responsibility that cannot be put off or delegated to HR.

**Customized Experiences.** Top leaders also need to improve and develop themselves. As Marshall Goldsmith says so well, “What got you Here won’t get you There.” Career transitions through the leadership pipeline are discontinuous—the skills that help a leader become successful at one level impair their ability to excel at the next level. A great individual contributor in a technical role such as an engineer, marketer, operations expert, or merchant, may not be the right choice and

does not have the experiences and skills to play the role of senior executive who must shape the future, delegate to others, and build a sustainable organization. Developing C-suite executives does not come from generic courses or experiences, but through a customized series of development experiences. These customized experiences may include:

- **Expert coaching.** Good external (or internal) coaches help leaders candidly look at their strengths and weaknesses and make personal changes to improve. Coaching continues to be more art than science and it requires chemistry and trust between the leader and coach, a clear agenda for what results and behaviors will be developed, and a willingness to change.
- **External insights.** C-suite executives often have close contacts with other executives, either through their own Board or participation on other company boards. Targeted visits with peer executives around selected topics often provide valuable insights. One executive wanted to invest in a large quality initiative. Before starting his own program, he visited with a few respected peer executives from other companies who were further down the experience curve on Six Sigma Quality and learned some tips of what to highlight and what to avoid. Another executive regularly has large suppliers or customers present to his executive committee about their innovations in key areas (e.g., globalization, customer service, governance).
- **Participation in external groups.** C-suite executives have enormous time demands, but they also have opportunities to learn from participating with external groups including service or philanthropy groups. One executive formed a cohort of other C-suite leaders in the community to form a taskforce for improving K–12 education. By interacting with the community leaders, she learned more about them and their work. We know another CEO who participates in our conferences and with targeted clients of ours outside of his industry. He does this because he wants to expand his network and to learn. C-suite executives may also participate in trade associations or other national organizations where they learn from peers. C-suite executives may also be nominated for Boards at other companies where they can learn and grow.

- **Targeted training.** Often external training programs have a particular orientation. For example, some university executive programs focus on how to be a leader in emerging global markets, how to create a culture of innovation, or how to bring financial discipline into the company. C-suite executives often learn and grow from targeted training experiences.
- **Tailored learning.** Most C-suite executives we know are curious and agile learners. They want to develop. Their personal development might include reading books or articles on topics they are interested in, visiting with thought leaders at one on one meetings or to meet with them and their teams. In addition, these executives hone their point of view about leadership when they teach others during training sessions or when they codify their personal leadership learning into articles, chapters, or books.

Customized development experiences are likely more expensive, but they can also have greater impact. For example, in a half day invested in a custom learning experience, leaders in the room may want to spend the time reviewing their succession plans and their customized development plans for themselves.

## 2: Leadership Cadre: Leadership Academy

Talent means investing in the next generation. A key cohort represents the top leaders in the company who should be the centurions that are able to translate and enact the C-suite agenda. We are almost always asked how many of the senior leaders in an organization should be considered the key cohort group. A simple rule of thumb is the cohort group number is the square root of the total number of employees. The square root logic implies that it’s important to ensure the critical mass of top leaders are represented as a firm grows:

Firm Size	Approximate Size of Key Cohort
100	10
1,000	30
10,000	100
100,000	330

These leader cohorts are the senior positions of the company where they can leverage key ideas and actions that most impact others.

The talent goals for this key leadership cohort are to ensure that they demonstrate the skills to do today's work, that they can develop the skills to respond to tomorrow's business requirements, that they can translate the business direction into subsequent organization choices, make investments in a coherent way, and that they can be a voice of the employees to senior managers. These leaders must balance competing orientations. They must not succumb to a role of being the hands and feet (doers) of the C-suite executives or they add little value. Additionally, if they constantly recreate and recast the directions of the C-suite executives, they become barriers to unity. This key cohort should understand the C-suite agenda by challenging and debating it with their bosses and then translate it into goals and actions for the rest of the company.

To build talent among this leadership cohort, C-suite executives and leadership development professionals must build a distinct leadership brand for the organization that will impact the personal leadership brand of each leader by considering the following steps:

- **Create a business case for leadership.** Change starts when leaders have a clear line of sight between investments in leadership and positive outcomes like employee productivity, strategy execution, customer share, investor confidence, and community reputation. A relevant business case sets the direction of the talent that must be developed. This business case must answer the question, "if we have better leadership in my organization, what will happen?" Once these leaders know that leadership matters, they are more likely to spend 20 to 25 percent of their time developing themselves and others as leaders.
- **Articulate a leadership brand.** A leadership brand is a statement of what makes an effective leader in our organization. Like any product or firm brand, it requires that the basics are done well, but it also distinguishes itself from other brands. The leadership brand is a point of view about what makes an effective leader. We have codified the basics of leadership into five rules that all leaders must master and adapt:
  - Shape the future
  - Make things happen
  - Engage today's talent
  - Build the next generation of talent
  - Invest in yourself

Those charged with leadership should develop specific behavioral competencies for each of these rules. These leadership basics explain 60 to 70 percent of leadership effectiveness. The other 30 to 40 percent of a brand are the differentiators, or those things that are unique to leaders in our company. They distinguish *our* leaders from *your* leaders.

To define these differentiators, start from the outside of the company and then move to the inside. This means it's necessary to answer questions like: *Who are our key customers now and in the future? What do we want them to know us for as a company (e.g., what is our desired brand)? How can leaders inside the organization then behave consistent with these external expectations?* Our research on "Top companies for Leaders" (published in Fortune with Aon/Hewitt every two years) confirms the value of building a leadership point of view from the outside/in. Over 95 percent of the 450 companies in the study have a leadership competency model but a very small percent of the overall companies connect their leadership competencies to customer expectations. In contrast, over 70 percent of the top 25 companies for leadership make this connection. The result of this step is that there are clear standards for effective leadership that distinguish leaders in one organization from another.

- **Assess leaders.** Leaders in the top cohort need to be able to look in the leadership mirror and determine how they are doing. Frequently, this is done through an annual 360 where these leaders learn how they perform against the leadership standards. At a personal level, the top leadership cohort should be taught to be self aware about how they are performing as leaders.
- **Invest in leadership.** The top cohort needs to invest in leadership development. We have found that there are three general categories of leadership investment:
  - Work or job experience:
    - Being assigned to projects, temporary teams, task forces, or doing senior leader presentations (some call this assignmentology).
    - Taking on new roles in the organization.
    - Being coached or mentored.
  - Training or formal learning experiences through a leadership academy:

- Offering training courses where the content is tied to the business.
- Having training courses where the participants are challenged to adapt and apply the material using a process that avoids "tourist" training where leaders are entertained by faculty. Effective training must ensure that participants experience a "guest" approach to the business where they are expected to learn and apply real issues and interact around relevant topics.
- Life experience:
  - Helping leaders develop through outside of work activities in service, relationships, and challenges

For the key leadership cohort, we have found that a leadership academy becomes a valuable centerpiece of talent management. The leadership academy offers regular and formal training related to the business. These leaders are likely to participate in the leadership academy as individual leaders learning to be more effective leaders of the company, as team leaders focused on implementing company strategy, or as presenters who teach and communicate the leadership brand to the next generation. We estimate that this leadership cohort would likely spend about 5 percent of their time (a day a month) in leadership academy activities over the course of a year.

- **Integrate leadership into organization actions.** This key leadership cohort should see their ability to lead as critical to their long term succession and as part of their annual review. Long term, those leaders in this cohort who develop skills in building future leaders are more likely to move to C-suite positions. A number of companies track leaders in this cohort as importers vs. exporters of leadership talent. They are expected to develop and then give talent back to the company vs. consume talent by taking in talent from the rest of the company. The annual review of these cohort leaders should include not only their performance but their behaviors as evidenced in many nine-box potential/performance grids.

Leaders in this key cohort group have the challenge of navigating the paradox of accepting direction and giving direction. When they learn and master their organization's leader-

ship brand, they become valuable contributors to their organization's success. Many organizations struggle with the inability to get things done because of the inability to navigate this challenge. But when these leaders become advocates for both C-suite executives and front line employees, they mobilize energy and leverage the organization for success.

### 3: High Potentials: Individual Development Plan

Moving down the pyramid, talent also refers to future leaders and technical experts in the company. In our "Top companies for Leaders" research, we have estimated that about 10 to 15 percent of the workforce is high potential future talent. These high potentials are found in key positions throughout all levels of the organization. They may be technically proficient or they may be in key front line managerial roles. They have a large capacity for future growth.

There are many studies to determine what makes someone a high potential. The traditional definition was someone who could be promoted two vertical levels in 5 years. We

find this definition flawed as organizations have become flatter and time for promotion varies so much by company. As we synthesize the characteristics of a high potential, four factors emerge:

- **Ambition:** Any business success comes with a price including personal time, hard work, emotional dedication, and perseverance. High potentials have the personal drive and ambition to pay the price for success.
- **Ability:** In the leadership literature, individuals often derail because they are unable to learn from mistakes or from the past, lack interpersonal skills, are not open to new ideas, do not adapt to new situations, and/or become complacent and arrogant. By definition, high potentials have not derailed and have potential for future growth.
- **Agility:** One of the key skills for future leaders is the ability to learn and grow. Learning agility includes mental agility (e.g., curious, finding simplicity in complexity, identifies quick rules of thumb), people agility (e.g., self-aware, committed to personal growth, works to help others

succeed), change agility (e.g., likes to tinker and experiment, tries new things, accepts failure), and results agility (e.g., flexible in ideas, good in new situations, works well with teams).

- **Achievement:** Future leaders have a pattern of achievement in the present. They accept new assignments and deliver well on them.

An individual may be assessed on each of these four dimensions that puts them into the high potential category. Membership in this high potential group is not an entitlement, but something that is re-earned annually. Once in this group, investments are made to help these individuals develop their full potential by offering them an individual development plan.

The individual development plan for high potentials often includes a two-, sometimes three-year agenda for how that individual can increase their contribution to their organization and their personal growth. At the heart of this personal plan is a one page document that shows what the company will do to invest in the talented individual and when these investments may occur over the two-year period (see Figure 2).

**Figure 2: Individual Development Plan**

Development Activities	Year 1				Year 2			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Attend a university course								
Attend an in-company course								
Complete a 360								
Receive coaching								
Participate on a task force or special project on globalization								
Participate on a task force or special project on innovation								
Participate on a task force or special project on cost cutting								
Shadow a leader								
Make presentation to senior team or board of directors								
Do site visit to key outside companies								
Job assignment in a different culture								
Assignment in a staff function								
Responsible for a P&L								
Complete a psychometric assessment and get some coaching								
Participate in service or philanthropy								
Join a social media network								
Present at a conference								
Publish an article								
Etc.								

The rows represent talent investments that follow the 50-30-20 logic described earlier, but may be tied more to work experience than formal training. Talented individuals have a unique opportunity to learn by full and part time assignments, supplemented with training and outside work experiences. One unique outside work experiences is what IBM called the “IBM Service Corps.” In this innovative development initiative, IBM offers their high potential employees the opportunity to spend three to six months working on community service projects. Participants perform community-driven economic development projects in Africa, Asia, Eastern Europe and Latin America, working at the intersection of business, technology and society. As of early 2011, over 1,000 IBM high potential employees in 100 teams have participated. This is an example of the row “Participate in service or philanthropy” in Figure 2.

Executives who are committed to talent define who is considered high potential in their organization. They flesh out the rows as opportunities for high potential talent. They can offer guidelines for how much time high potentials will spend annually in these development activities. They can guide leaders and HR professionals to have informed career conversations with these high potential employees that help them recognize the organization’s investment in them.

#### 4: All Employees: A Talent Culture

At a more general level, talent discussions affect all employees within the company. Every employee can and should be considered a “talent.” We have synthesized these general talent discussions into a simple talent formula: Competence x Commitment x Contribution.

Competence refers to the knowledge, skills, and values required for today’s and tomorrow’s jobs. One company further refined competence as right skills, right place, right job, right time. Competence matters because incompetence leads to poor decision making. But without commitment, competence is discounted. Highly competent employees who are not committed are smart, but don’t work very hard. Committed or engaged employees work hard; put in their time; and do what they are asked to do. In the last two decades, commitment and competence have been the bailiwicks for talent. But, we have found the next generation of employees may be competent (able to do the work) and committed (willing to do the work), but unless they are making

a real contribution through the work (finding meaning and purpose in their work), then their interest in what they are doing diminishes and their talent wanes. Contribution occurs when employees feel that their personal needs are being met through their active participation in their organization. Organizations are the universal setting where individuals find abundance in their lives through their work and want this investment of their time to be meaningful. Simply stated, competence deals with the head (being able), commitment with the hands and feet (being there), and contribution with the heart (simply being).

In this talent equation, the three terms are multiplicative, not additive. If any one is missing the other two will not replace it. A low score in competence will not ensure talent even when the employee is engaged and contributing. Talented employees must have skills, wills, and purposes; they must be capable, committed, and contributing. Senior executives who wish to build a talent culture should spend time identifying and improving each of these three dimensions.

#### Conclusion

“Talent” is not an abstraction. By investing properly, companies receive real value from building better talent. Building talent involves making a series of choices for each of four stakeholder groups—employees, customers, investors and executives. When HR professionals charged with talent and line managers who are responsible for talent make choices for each stakeholder, the benefits of top talent emerge. Executives who are willing to invest at least a half-day a quarter reviewing and making specific talent choices bring the rhetoric about talent to fruition. These “top companies” realize the tangible and intangible value of investing in their people—they get better results, have an engaged workforce that is adaptable to shifting conditions and they ensure customer and investor confidence in their future.

#### About the Authors

**Dave Ulrich** has consulted and done research with over half of the Fortune 200. Dave was the editor of the *Human Resource Management Journal* 1990 to 1999, has served on the editorial board of four other journals, is on the Board of Directors for Herman Miller, is a Fellow in the National Academy of Human Resources, and is cofounder of the Michigan Human Resource Partnership.

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