

Talent Management is DEAD

- *killed by complexity!*



Talent Management is focused on the recruitment, development and rewarding of high-potential people in your organisation.

But this focus on the individual may not create the value we expect in complex organisations.



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The “War for Talent”

Since McKinsey coined the term in 1997¹, they have argued strongly that effective Talent Management (TM) is a driver of value creation in organisations. This has launched a spate of TM practices in consulting companies, as well as a multi-billion dollar industry for software vendors like Oracle, SAP and IBM. Enterprises have responded by launching major TM initiatives in their organisations, and recent global surveys suggest that managing talent is now a major issue for CEOs in OECD countries.

It is a compelling argument: Manage the recruitment, performance, compensation and development of talented individuals, and you will be rewarded by superior value creation in your organisation. Indeed, McKinsey² and others³ suggest that enterprises should focus on those practices that differentiate highly talented people and establish programs to reward and develop them as “high potential” (HIPO) employees.

However, my argument is that this may not be driving value creation the way we believe it is - particularly in the complex organisations of our modern era. Indeed, in some cases it may well be destroying value and limiting the natural adaptive qualities that we seek for organisations to thrive in changing environments. ***And a lot of this is due to the high levels of complexity that we find in our organisations.***

¹ Steven Hankin, McKinsey & Company, 1997

² *The War for Talent*, McKinsey & Company, April 2001

³ See: *Future Trends in Leadership Development*, Centre for Creative Leadership, December 2011; *The Future of Talent Management*, Oracle White Paper, June 2012

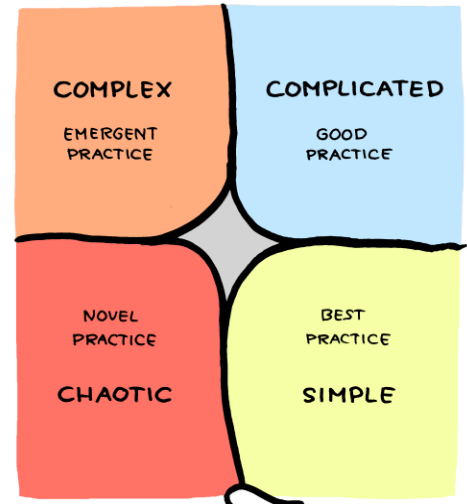
What is the impact of complexity?

As our organisations have evolved through successive waves of technology since the industrial revolution⁴, the levels of complexity within these organisations have increased. Complexity may be described as the increasing interdependency and interaction between the various parts within a system. This is due, in part, to the explosion of information and communication within and between organisations.

Snowden's groundbreaking work on complexity⁵ suggests that, as complexity increases in organisations, "best practice" becomes less effective because of the uncertainty and unpredictability of complex systems.

As we move into complex situations, Snowden argues that the system (the organisation) develops "emergent" properties - new capabilities to deal with the changing environment. Simply put, it means that complex systems work out unique ways to ADAPT to their changing environment, without direct intervention or control from above (senior leaders). This is a well established property of complex systems⁶.

More importantly, these systems do not respond favourably to the conventional practices of management and leadership. Indeed, direct interventions can actually disturb the interconnectedness and interdependence, and thereby inhibit the system's ability to adapt!



Cynefin model: Snowden (2007)

Three common errors in Talent Management

Using complexity theory to understand our modern organisations, we can identify three common errors made by leaders as they use Talent Management to create value:

1. Developing individuals in an attempt to develop the organisation

Working on the individual parts of a system does not improve the functioning of the whole. Because the organisation is a system, the parts of the system (although important) are not as critical as the way they FIT together.

What really improves the system as a whole is working on the interactions between the parts. Organisational systems are not improved by tinkering with the parts (individuals), but by working on their interactions. This is generally called *organisational development*.

2. Empowering individuals in an attempt to enhance the effectiveness of the organisation

Because individuals work within the system and interact with other members of the system, it is not the empowerment of the individual that yields best results for

⁴ *The Sixth Wave*, Moody and Nogrady, Random House, 2010, Sydney

⁵ *A Leader's Framework for Decision Making*, Snowden and Boone, Harvard Business Review, November 2007

⁶ See *Leadership in the age of complexity*, Wheatley and Frieze, 2010; *Organise for complexity*, Betacodex Network Associates, White Paper, June 2012; *Simulation and Planning in High Autonomy Systems*, Joslyn and Rocha, Tucson, 2000

organisational effectiveness. Self management must be team-based. So, we need to focus on empowering the team.

The team's output (effectiveness) is enhanced when the whole team is able to develop emergent properties and adapt to the changing environment. Again, this is a focus on the system, rather than on the individual.

3. Viewing a functional department as a team within a complex organisation

A functional department is a grouping of functional specialists - eg an accounting or marketing department. Because business processes work *across* the business (ie accounting staff have to coordinate with marketing, sales and production staff), the functional department has to be coordinated horizontally. As a consequence, the accounting department is really a *group of people working in parallel* - they are not a team.

A team is a number of people who work for and with each other, and coordination occurs laterally, amongst peers. In general, they interact with one another with a focus on responding to their environment. Emergence and adaptation (to the changing environment) occurs as a result of the interdependent interactions within a team, not a group.

So how can we create value in our complex organisations?

Talent Management, with its focus on recruiting, developing and rewarding the individual, may actually be *hindering the creation of value* in organisations by disturbing the emergence and adaptation processes within teams. At best, it is not facilitating improved interactions within the organisation and thereby limiting the emergence of adaptive capabilities. At worst, it is hindering and even disturbing these interactions, and destroying the natural adaptive capabilities within complex organisations.

Accordingly, we can identify three approaches that can create value in complex organisations - approaches that enhance the emergence of adaptive processes:

1. Focus on developing the *organisation* rather than its individual talent

While the focus of TM is on the recruitment, development and reward of talented individuals in the organisation, complex organisations are likely to respond more positively to a focus on the whole system - ie the way the various elements interact and are aligned to the business model.

Problem solving and adaptation in complex systems is about the quality of the communication and interaction between the elements. Clearly, we need to begin by having the appropriate quality of people on board, but value creation is enhanced more by enhancing their interactions than by "picking winners" and developing the individual skills of a few. And this improved interaction improves teamwork and improves the retention of valuable staff.

2. Operate as a "host" rather than seeking to directly control

Leaders should accept that no one can be fully in control in a complex system. They should invite people to participate in problem solving processes and trust in their natural creative abilities. The leader as host provides conditions and processes for people to work together and interact. And they show support for their people doing this.

Complex systems will almost always display emergent properties - ie they will develop higher-level capabilities than those they were initially designed for. This is the natural adaptation process within complex systems, and the leader's role should be to keep bureaucracy at bay and to provide air-cover from other leaders who may wish to seize back control.

3. Actively drive emergence and adaptation

In addition to getting out of the way and allowing the organisation to operate, there are specific ways in which leaders can drive emergence and adaptation. These include:

- Facilitating and encouraging a regular process whereby teams explore and define their identity: A “who we are” and “why are we here” session is an important process for teams to improve the quality of their interactions and to build their adaptive capability
- Facilitating interactions that spark some creative tension between team members: The tension might come about as a result of a resource constraint, a tight time deadline, or a stretching target. These external pressures and conflicts of interest promote the exploration of new solutions and approaches - the very stuff that spawns innovation and adaptation.

Leading our complex organisations

I have argued that, in complex systems, the attempt to enhance organisational value by focusing on the development of individuals may be too narrowly focused. And let's remember, most organisations that include people in a knowledge based environment, are complex.

While complicated systems such as a wrist watch can be controlled and their behaviour predicted, complex systems are somewhat unpredictable, and have higher levels of error and uncertainty. Rather than simply accepting this as some form of failure, we should recognise that these very properties also allow for emergence and adaptation - the very characteristics we seek in uncertain and challenging environments.

So while we continue to heed the development needs of our talented high-performers, let's not forget that we also need to develop the system as a whole and to facilitate the processes of emergence and adaptation.

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