

Linking Behaviour to Bottom Line Performance

Leadership, Intangibles & Talent Q2 2009

Welcome to 2009's second quarter roundup of all that's going on in the fields of talent management, innovation and leadership. Articles are included from the likes of the American Society for Training & Development, Aviva, Deloitte, Institute of Employment Studies, Professor David Guest, Towers Perrin and Watson Wyatt.

Summary for Q2 2009

Reading through this quarter's articles, there were plenty of pieces rehashing practical tips on how to deal with the recession. However, there are a number of interesting ideas and themes lurking beneath the surface.

- Intangibles such as engagement, networking and collaboration are hot topics but managing these issues is easier said than done
- New technologies have the potential to revolutionise the way we understand organisational behaviour, although the appetite for this information is as yet unclear
- Line managers can play a pivotal role in developing engaged employees and this has implications for how organisations approach talent management
- Firms are waking up to the importance of engagement, in these recessionary times, once costs have been stripped out, the need to do more with less is paramount
- Knowledge is key to value creation but how we educate and train for working with this often intangible and unpredictable environment is unknown

Comments and feedback are of course welcome.

Engagement in the Spotlight

Following from Richard Beatty's withering comments¹ on the lack of quantitative evidence to support investment in engagement back in January, engagement remains one of the hot topics for discussion amongst HR and OD professionals. Interestingly, articles and blog posts are increasingly blurring the lines between specific discussions on engagement and how this impacts the

wider issue of talent management. The one thing that is clear however is that, despite Beatty's comments, an acknowledgement that these issues are of paramount importance in the current economic climate remains. Yet, given their intangible nature, control and mastery of these areas remains elusive.

So where does this leave HR? Many commentators are signalling the recession

as a great opportunity for HR to make its mark on the business and there is no denying that the current state of flux points to opportunities for the brave. On the other hand, there is considerable evidence for poor morale and low levels of engagement in HR departments.

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Better Understanding of Organisational Behaviour

In previous editions of this update I have noted an increasing trend in the number of people focusing on the role technology is having on our understanding of the complexities and subtleties of organisational behaviour. This piece² by Marina Gorbis succinctly summarises the direction which our understanding of organisational dynamics is evolving and the possible changes that it will bring. In it, she discusses a forthcoming book by Douglas Rushkoff³.

Gorbis states that in viewing organisations as complex ecosystems, we can start to understand the influence of groups on individual behaviour. This may lead to a more relevant and holistic understanding of the way organisations function and perform. As Gorbis states,

“In fact, we are making the invisible visible through use of data.”

The practical implications being that this understanding enables organisations to be better informed, able to achieve strategic goals and able to align their people to long-term objectives or outcomes. Of course, this also implies that businesses and HR departments in particular are going to have to acquire new skills and understanding into organisational behaviour. As Gorbis states, organisations are going to be recruiting not just from business schools but from university departments such as anthropology, ecology or zoology.

Gorbis also notes the growing impor



tance of “amplified individuals” a concept discussed in previous updates. These are key people who are in a position to influence and shape the behaviour of others and who derive their power not from their position in the organisational hierarchy but from their connections and informal networks, often bypassing traditional organisational structures.

Increasingly, new tools are being brought to market that facilitate the identification of these individuals and provides organisations information on not only the brightest and most able but also on the more intangible aspects of organisational behaviour.

Clearly this has implications for how organisations go about their talent management processes. More on this later. Perhaps the most interesting aspect of this article, to me at least, is the discussion on engagement and how an appreciation of what engages on a neurological basis is slowly being revealed.

“So much of our organizational practices and processes, however, have been based on simplistic carrot-and-stick approaches. In the next decade, much greater understanding of the

human brain and principles of engagement will make us rewrite many of our management books and manuals. Do not be surprised to find many more neuroscientists and game designers among the human resource professionals.”

On a similar theme, the changing nature of the organisation and the skills required to thrive is discussed in a talk by Daniel Pink⁴. In particular, the role of change and how we as individuals are trained to deal with this raises some interesting new challenges.

Pink argues that the organisation of the future, in the developed world at least, will require employees capable of extended right-brain thinking. This requires “Artistry, empathy, inventiveness, big-picture thinking” rather than left-brain skills such as logical and analytical processes. The big question Pink raises is how to train or develop these skills through the education system and into the workplace? In Pink’s vision of the future, the routine and mundane will be outsourced and only things that can’t be automated will remain in developed economies.

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Defining Engagement

Moving back to engagement, despite Professor Beatty's comments in January, there is considerable consensus on role of engagement as key to organisational performance, however, the difficulty of clarifying what engagement actually is and how it is measured is an ongoing cause of debate. In a solid round-up of the engagement field⁵, the IES HR Network, describe engagement in the following terms;

"Engagement is consistently shown as something given by the employee which can benefit the organisation through commitment and dedication, advocacy, discretionary effort, using talents to the fullest and being supportive of the organisation's goals and values. Engaged employees feel a sense of attachment towards their organisation, investing themselves not only in their role, but in the organisation as a whole."

Perhaps the reason why engagement is such a hot topic right now relates to the underlying economy and how it is likely to affect morale and performance. Companies are struggling to cut costs and in many cases this necessitates having to do more with less. Clearly once all excess costs have been stripped out, doing more with less requires an engaged and committed workforce willing to go the extra mile. Generating this in a climate of job losses and economic uncertainty only makes engagement more elusive. Furthermore, in order to capitalise on any economic recovery when it comes, organisations will need to have an engaged and motivated workforce to make the most of improving conditions.

While there is consensus on the importance of engagement, how to measure it is another challenge entirely. Employee engagement surveys are one area that has fallen under the spotlight recently, the IES HR report goes on to say;

"There are a variety of measures of engagement available. However, the lack of a clear definition of employee engagement and the differing requirements of each organisation means there is likely to be considerable variation in what is measured in these surveys."

The IES report also raises another interesting topic, namely the role of personality in engagement, stating that extroverts are more likely to be engaged than introverts. On the face of it, I think that this is an over-simplification, however there may well be some correlation between positive attitudes to work and personality type.

Human Resources magazine⁶, debates the value and the way engagement surveys are structured, with researcher Peter Hutton claiming that two of the most popular surveys in the UK, the Gallup Q12 and Best Companies lack statistical integrity. The search for an accurate way to measure engagement is likely to continue.

Line Managers in Engagement

A Towers Perrin survey⁷ points to the role of line managers in the engagement equation. Given the emphasis on organisational-wide initiatives and taking a big-picture view of engagement, this is a topic that has not had sufficient

emphasis and accounts for the wide levels of variability in engagement throughout the organisation. The article argues that the key levers of engagement lie in the team or at the micro level. By being sincere and developing an environment of trust, managers are able to encourage increasingly engaged employees. In particular, the article states that recognising and praising in a sincere and informal manner can accelerate productivity and performance.

An article by Julie Gebauer of Towers Perrin⁸ focuses on another requirement for engagement, namely the whole-hearted support of senior leadership. In the article she emphasises the need for selling the business case for investing in engagement, rather than "something 'nice to do' that only HR is championing." Again, the problem here is that this is easier said than done. However, by focusing on business outcomes and how engagement can help align the organisational strategy, a compelling case can at least be made.

Evidence for increasing focus on the importance of engagement is growing, indeed in the UK, July will see the publication of a government review on the subject undertaken by David McLeod. In this People Management article⁹, practitioners are calling for some practical advice and actions into improving engagement, whilst acknowledging that it is not what it could be at the moment. Given the intangible and unique nature of engagement in every organisation, it will be interesting to see how much influence government can have on this area.

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The Ongoing Talent Management Debate

It's impossible to view engagement in isolation without discussing the wider talent management perspective. Again, as with engagement, a standard definition is elusive, however the ASTD (American Society for Training & Development) came up with a catchy epithet¹⁰.

"Talent management is a holistic approach to optimizing human capital, which enables an organization to drive short and long term results by building culture, engagement, capability, and capacity through integrated talent acquisition, development and deployment processes that are aligned to business goals."

This article also raises one of the key contradictions or inconsistencies in traditional talent management practice, namely by focusing on key high potential employees or senior managers, talent management becomes a self-fulfilling prophecy that also runs the risk of being perceived as elitist. By focusing investment on the gifted few, their success and advancement through the organisation is all but guaranteed. There is also the danger that these "stars" will be enticed away to other organisations and the investment in their development is only ever partially realised.

One organisation appearing to have some success with a broader approach to talent management is financial services company Aviva. In a short piece¹¹, by taking an approach that benefits everyone "has so far led to 45 per cent of employees that had previously been

identified as "languishing" moving into new roles and "thriving".

Taking a broader approach and focusing on the many may make more sense in terms of networks, collaboration, productivity and succession. Whether there is any appetite for this inevitably more expensive approach is questionable.

Talent Management in the Current Climate

An interesting series of three articles (first one here¹²) from Deloitte seek to examine the evolving attitude to talent management in the current climate. In particular, the diverging pressure to cut costs whilst continuing to invest in people. This is a timely series of reports and throws into sharp relief the tricky if not impossible balancing act of minimising costs in the short-term and effective workforce planning. Without a systematic means of quantifying the benefits of a strong commitment to talent management, it is always likely to fall down the agenda.

This is evidenced in the second Deloitte report¹³ that also highlights the decision of many organisations to focus their talent management efforts on the few. The figures quoted show that 37% of those polled expect to increase focus on high potential employees. While increased investment in this area is to be welcomed, this information plus the assertion that despite the increased availability of advance analytical tools, organisations are not making use of these services leads to the view that companies, at least at the moment, are not becoming more sophisticated in their identification and development of talent.

The second Deloitte report also highlights dwindling morale in many organisations over the first few months of this year, again a sign that employees are becoming less engaged at the exact time that organisations need them to increase their levels of engagement.

Interestingly, these issues are at odds with Deloitte's own research last year¹⁴ under the catchy title The Chemistry of Talent. The report focused on the need for companies to develop their own bespoke talent management solutions and in particular use technology to develop more flexible and sophisticated career planning techniques. One year on, there seems to be little evidence of this investment from Deloitte's own research having an impact and given the worsening economic conditions, this situation is unlikely to change.

Leadership

Moving on to leadership, there have been a couple of interesting articles that have brought together some of underlying themes above and how they are likely to impact the top of the organisation. A slideshow from Mary Adams at Intellectual Capital Advisors¹⁵ echoes many of the same concerns in the Pink article above. Principally, that intellectual capital or knowledge is the foundation of the organisation and should be the focus of value creation. The challenge facing leaders as she puts it is;

"...most managers don't have explicit models for the role of knowledge in their business. They know it's there. They know what to do with it. But they

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are dealing with it all on a gut level. But you don't want to rely exclusively on your gut to manage your business."

A further article focusing on leadership also draws parallels with the Pink article. On the Leadership Now blog¹⁶, Michael McKinney revisits the age old distinction between leadership and management. In this piece, he brings back the distinctions between the two areas by referencing Bennis' 12 distinguishing points in his 1989 book *Becoming a Leader*.

The behaviours that Pink describes as right brained thinking are quite clearly analogous to what Bennis describes as typical management skills. Whereas Pink's reference to left brain thinking are much more closely aligned to Bennis' description of leadership. McKinney further echoes Pink by emphasising how the current educational system is geared towards management rather than leadership.

In his piece, McKinney argues that in order to be successful, both disciplines are necessary within the organisation but points out that most businesses are currently geared towards excessive emphasis on management rather than leadership.

"Management is based on the response to the questions we had yesterday. Today, some of those responses are still valid, many are not. Leadership is needed to address the questions of today and bring us to a different place. This is especially true in times of great change."

As we have already seen, real engagement takes place at the level of small

teams. By displaying typical management behaviour, it can be argued that line managers are simply going through the motions and neglecting significant opportunities to challenge not only themselves but also their people. The question that arises is how can organisations better equip line managers to develop these behaviours? And will this go some way to improving engagement?

The HR Conundrum

Where does the HR profession stand in all of this? Quite clearly, it should be front and centre. All these issues, whether dressed up as engagement, talent management or leadership all call for bold and imaginative HR-centric solutions. As if to emphasise this, support from an unlikely source comes from Benjamin Zander, conductor of the Boston Philharmonic Orchestra¹⁷. Harking back to engagement, Zander claims that HR is responsible for the "spirit" of the organisation but that it is occasionally "downtrodden".

I think Zander hits the nail on the head with one of the key issues facing HR at the moment. Namely that HR is in theory well positioned to have a significant impact on nailing down these crucial yet intangible problems. However, the big question is whether there is enough confidence, credibility, vision and technology to pull this off. On the face of things, morale in HR departments is not good. In this HR Magazine article¹⁸, the results of a Baddenoch & Clark survey claims that only 57% of HR employees feel valued. Without reading too much into these results, the obvious question is how is HR going to engage the rest of the organisation when feeling demoti-

vated or not valued?

To further emphasise the perceptions that need to be overcome, a HR Magazine article¹⁹, cites a survey by Endaba, which claims more than a quarter of employees do not trust the HR department.

Furthermore, a Taleo report²⁰, cites a McKinsey survey which asked both HR and line managers "Does HR lack the capabilities to develop talent strategies aligned with business objectives?" Only one-quarter of the HR participants agreed with this statement, while the majority (58%) of line managers agreed. "

Clearly, these attitudes do not exist in every organisation but where they do, they will not change overnight. However, if HR can gain confidence and trust, there is an opportunity to drive a new agenda. This is the argument made by Duncan Brown at the Institute of Employment Studies²¹. In this wide-ranging piece, he puts forward the argument that recent events are leading to an underlying shift in the way in which rewards are distributed. Focusing on fairness and the perception of fairness as a way of improving organisational performance, Brown also weighs into the engagement debate.

"Professor David Guest's research shows that perceived fairness and reciprocity, alongside of trust, are at the core of a positive, engaging and high performance generating psychological contract in the workplace."

HR needs to be in a position to deliver the strategy but also ensure that conditions are conducive to line managers

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generating enthusiasm or engagement. HR's responsibility is to track and measure strategy but most importantly, ensure that managers have the capabilities to execute the strategy and engage others, ensuring that people are actively working towards team and organisational goals.

The Last Word

A quick word on M&A, in particular the announcement of the merger as equals of Towers Perrin and Watson Wyatt. Two of the largest consulting firms in the HR sphere. Given the circumstances underpinning the merger, namely challenging market conditions, it will be very interesting to see how these two masters of integration manage the process!

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Footnotes and References

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About Four Groups

Four Groups have developed a new approach called 4G to understand behaviour, relationships and culture. 4G provides its users with insight into personal characteristics, how relationships develop within teams and groups and how culture can be best defined and managed.

4G provides organisations with information on how best to deploy and optimise the performance of their people. It also enables preventative measures to be taken which minimise the less productive aspects of interaction and group dynamics such as friction and misunderstanding between colleagues.

4G represents a systematic approach to managing the previously intangible aspects of organisational life. The methodology is easily replicable and can be implemented quickly and efficiently.