FROM WAR FOR TALENT TO VICTORY THROUGH ORGANIZATION

Dave Ulrich

A new senior CHRO from operations reflected on his first 90 days as CHRO. He noted that HR folks seemed consumed with improving talent processes. He observed that they had developed many good disciplines for bringing people into the organization and helping them be productive. He said he felt that they were 65 to 75 percent up the "S-curve" of managing talent. But, he realized that the challenge in his organization was not about talent alone, but about building a culture. He shared that his organization was changing its business focus, and merely getting good people into the organization was not enough; the organization needed to create a more adaptive culture. He believed the tag line, "culture eats strategy for lunch," and he felt that HR should be the steward of culture as well as talent.

In the last 15 to 20 years, leaders have been encouraged by remarkable work captured in the "war for talent."[i] Many have built systems for bringing people into the organization (sourcing, having a value proposition), moving them through the organization (development, performance management, engagement), and removing them from the organization (outsourcing).[ii] The war for talent was a great battle, but we now need to turn to *victory through organization.* Talent is not enough. Individuals may be champions, but teams win championships.

In today's rapidly changing business world, the challenge of building the right organization complements and supersedes the talent challenge. It is interesting to note that the Chartered Institute of Auditors has prepared recent documentation to help auditors monitor culture.[iii] Getting good people into the organization isn't enough to create a culture where people work hard on the right things. One of the challenges for HR professionals when it comes to building the right organization is that there are related concepts, terms, and prescriptions that require clarity. Are organizations to be thought of as resources,[iv] core competencies,[v] health,[vi] climate,[vii] processes,[viii] values,[ix] shared mindsets,[x] organization types,[xi] or systems?[xii]

"Talent is not enough. Individuals may be champions, but teams win championships."

> "Culture is likely to be the key for future success."

With these confusing concepts, no wonder leaders have difficulty creating competitive organizations. The concept clearly matters, but it seems impossible to articulate or define with any precision. Let me propose a three-step process for leaders to bring discipline to the process of creating victory through organization.[xiii]

First, organization capabilities represent what the organization is known for, what it is good at doing, and how it allocates resources to win in its market. Organizations should be defined less by their structure and more by their ability to establish the capabilities required to win—that is, to serve customers in ways that competitors cannot readily copy. Organization capabilities might include the ability to respond to or serve customers, drive efficiency, manage change, collaborate both inside and outside, innovate on products and business models, access information, and establish the right culture. Leaders can facilitate capability audits to determine whether the organization has prioritized the right capabilities to win.[xiv]

Second, culture represents the pattern of how people think and act in the organization. While organizations can have many capabilities, culture is likely to be the key for future success. The right culture takes what the organization should be known for by key customers and uses this external identity to shape internal thought and action. Leaders can audit the extent to which an organization has the right culture.

Third, management actions can be identified and implemented to create and sustain the desired culture. My colleagues and I have classified these actions into intellectual, behavioral, and process agendas. Intellectual agendas ensure that managers create a shared culture inside and outside the organization; behavioral agendas show the extent to which all employees behave consistently with the desired culture; and process agendas institutionalize the culture through management practices.

The three dimensions in this organization logic parallel psychologists' understanding of individuals. Individuals have personalities (parallel to organization capabilities) that have been categorized into the "Big 5": openness, conscientiousness, extraversion, agreeableness, and neuroticism. These five personality traits capture domains that can be observed and measured. Individuals then have habits (organization culture or patterns) that determine how they approach life. Psychologists say that 50 to 80 percent of what people do comes from habits or routines. These habits show up in how people think (cultural intellectual agenda), act (cultural behavioral agenda), and manage emotions or sentiments that signal and sustain behaviors (cultural process agenda). Psychologists who diagnose individuals look at each of the three levels (personality, habit, action); likewise, HR professionals who assess organization can look at three levels (capability, culture, and management action).

Implications

Leaders who manage talent, leadership, and culture with similar rigor add value to their organizations, turning the wars for talent into victories through organization.

Endnotes

[i]Ed Michaels, Helen Handfield-Jones, Beth Axelrod. 2001. *The War for Talent*. Harvard Business School Press.

[ii]Justin Allen and Dave Ulrich. 2013. *Talent Accelerator: Secrets for Driving Business Growth In Asia.* RBL Group and Ministry of Manpower (Singapore).

[iii]Chartered Institute of Internal Auditors. 2014. *Culture and the Role of Internal Audit: Looking Below the Surface.* Sourced at: http://www.iia.org.uk/policy/culture-and-the-role-of-internal-audit/

[iv] The resource-based view of organizations has a more academic tradition in work by …
Barney, J.B., (1991), Firm Resources and Sustained Competitive Advantage. Journal of Management; 17, (1), pp. 99–120.

Makadok, R. (2001), Toward a Synthesis of the Resource-Based View and Dynamic-Capability Views of Rent Creation. Strategic Management Journal; 22, (5), pp. 387–401.

Barney, J.B., (2001), Is the Resource-Based Theory a Useful Perspective for Strategic Management Research? Yes. Academy of Management Review; 26, (1), pp. 41–56.

[v]Approaching organizations as core competencies has been captured in work by CK Prahalad and Gary Hamel
Prahalad, C.K. and Gary Hamel. 1990. The core competence of the corporation. Harvard Business Review, May–June: 79–91.

[vi]Scott Keller and Colin Price, Beyond Performance: *How Great Organizations Build Ultimate Competitive Advantage* first edition, Hoboken, N.J.: John Wiley & Sons, 2011.

See also Scott Keller and Colin Price, "Organizational Health: The Ultimate Competitive Advantage," *McKinsey Quarterly*, June 2011, mckinsey.com.

Aaron de Smet, Bill Schaninger, and Matthew Smith. The Hidden Value of Organizational Health — and How to Capture It. *McKinsey Quarterly*, April 2014.

[vii]Rousseau, D.M. 1988. The Construction of Climate in Organizational Research. In International Review of Industrial and Organizational Psychology, edited by C.L. Cooper and I. Robertson. London: Wiley.

[viii]The process approach to organization may be seen in the balanced scorecard work:
Dave Norton and Robert Kaplan. 1992. The Balanced Scorecard: Measures That Drive Performance, *Harvard Business Review*, January–February 1992.

David Norton and Robert Kaplan. 2000. *The Strategy-Focused Organization: How Balanced Scorecard Companies Thrive in the New Business Environment*, Harvard Business School Press, 2000.

David Norton and Robert Kaplan. 20014 *Strategy Maps: Converting Intangible Assets into Tangible Outcomes*, Harvard Business School Press.

[ix]Schein, Edgar (1992). Organizational Culture and Leadership: A Dynamic View. San Francisco, CA: Jossey-Bass.

Deal, T.E. and A.A. Kennedy. 1982. Corporate Cultures: The Rites and Rituals of Corporate Life. Reading, MA: Addison-Wesley.

[x]The concept of mindset comes from cognitive psychology and is called automatic thoughts, schema, or mental models:

DiMaggio, P. (1997). Culture and Cognition. Annual Review Of Sociology, 23263–287. doi:10.1146/annurev. soc.23.1.263

In organizations, we have talked about shared mindset, or culture being the shared cognitions in an organization:

Dave Ulrich and Dale Lake. 1990. *Organization Capability: Competing from the Inside Out*. New York: Wiley.
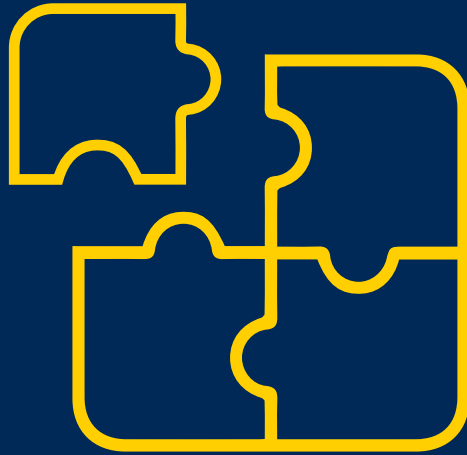
[xi]Daniel Denison. 1990. *Corporate Culture and Organizational Effectiveness*, Wiley.

[xii]Russell Ackoff 1999, *Re-Creating the Corporation: A Design of Organizations for the 21st Century.* Oxford University Press: New York.

[xiii]Dave Ulrich. 2015. *Leadership Capital Index*. To be published.

[xiv]Dave Ulrich and Norm Smallwood. 2004. Capitalizing on Capabilities. *Harvard Business Review*. 119–128.

Dave Ulrich. 1997. What is organization? *Leader to Leader*, 1997(5), 40–46.

M | MICHIGAN ROSS