



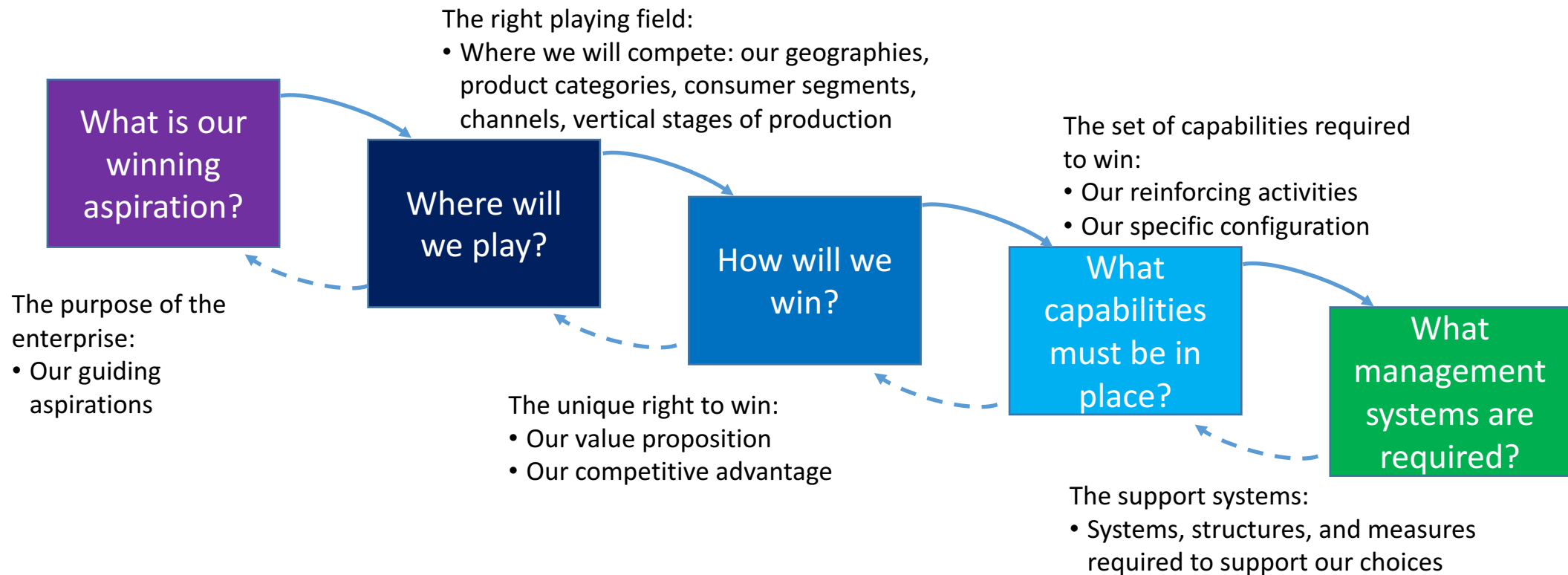
Center for Food and
Agricultural Business



Aligning Strategy and Talent

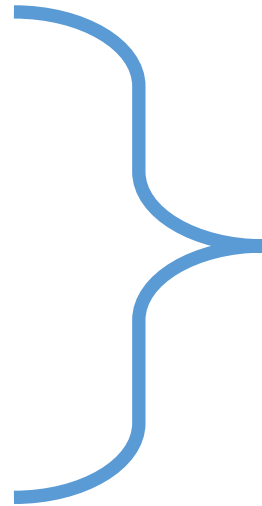
Dr. Allan Gray

Developing a Strategy is About Answering Key Questions and Making Tradeoffs



Traditional Competitiveness

- Cost
- Technology
- Distribution
- Manufacturing
- Product/Service Features



“Tangibles”

Can be copied

The Age of Intangibles Has Arrived

Winning will spring from organizational capabilities such as

- Speed
- Responsiveness
- Agility
- Learning Capacity
- Employee Competence

Talent as A Source of Competitive Advantage

There is a Paradigm Shift...

From



To

- What business are we in?



- What capabilities do we bring to the business we are in now that can serve as a foundation upon which future businesses can be built?

Core Issues for Any Business

- How to be profitable and enhance shareholder value?
- How to increase productivity and customer satisfaction?
- How to add value through innovation?

• How to attract, motivate & retain high quality talent?

- How to build a resilient organization?

Talent Makes the Difference

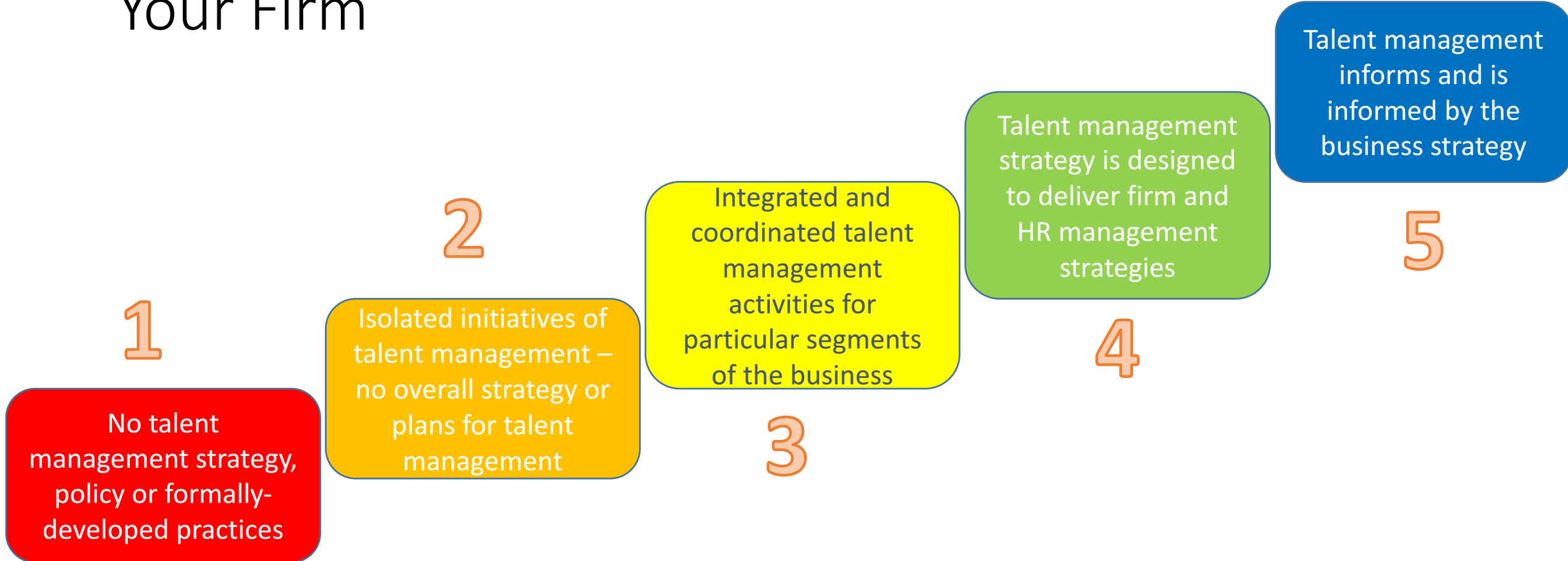
Today's Organizations Need Radical Innovators

- Who are passionate about what they do,
- Willing to rock the boat and make a big difference

These people also need to understand the future

- How to leap-frog established thinking
- How to grow markets, without losing site of the company's core values
- How to keep the organization relevant to a very different future

Measuring the Talent Management Maturity of Your Firm



Talent Management Aligned to Business Strategy





Determining the Talent Capabilities You Need

Dr. Allan Gray

Outline

- Strategy built on capabilities
- What are strategic capabilities?
- What are your firm's strategic positions?
- How well does your workforce align with your strategic positions?

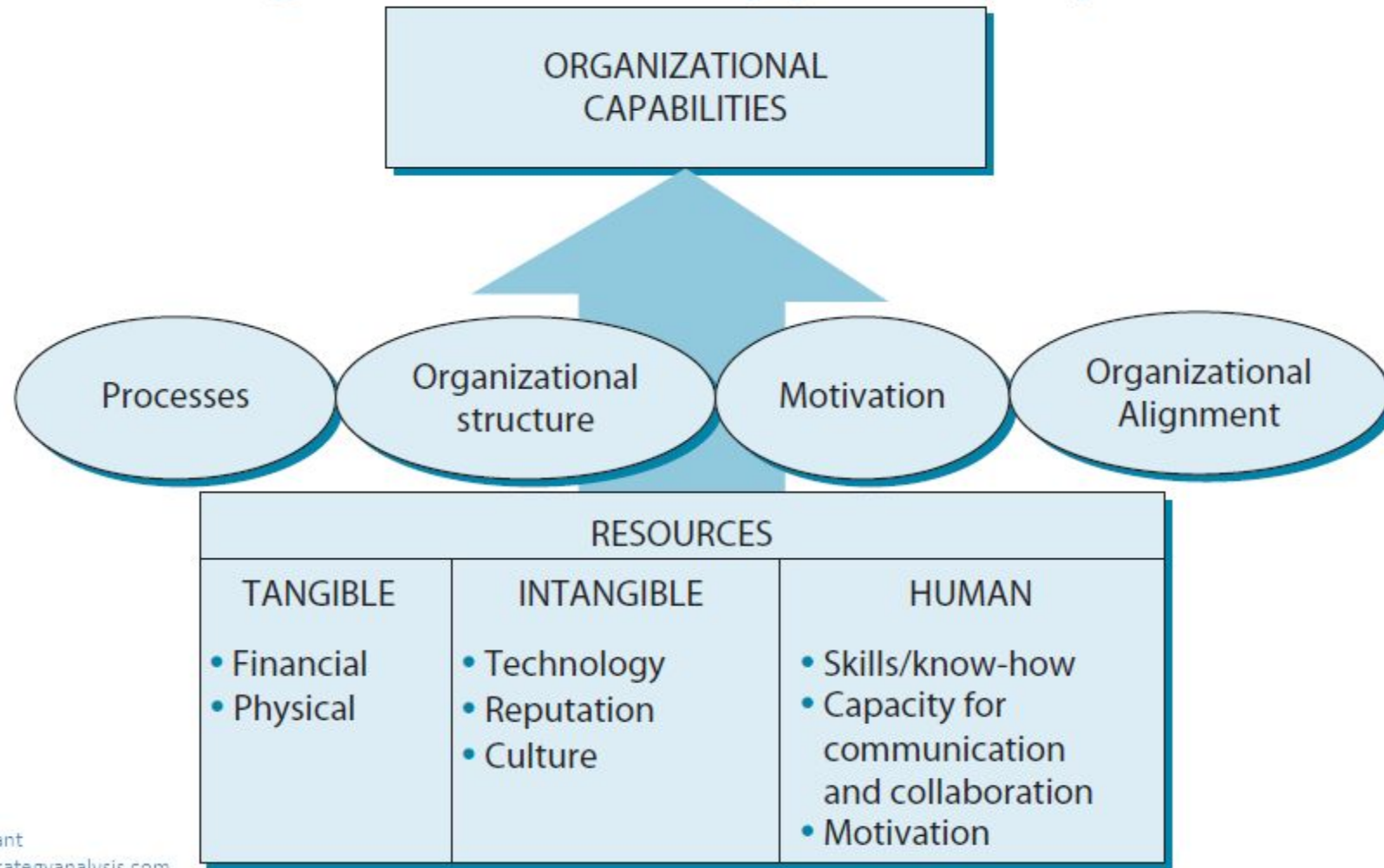
What is a Strategic Capability?

- Business processes absolutely essential to executing strategy
- Basis of competitive advantage
- Create the opportunity to earn above-average profits
- Typically combine organizational systems and talent



<https://youtu.be/hony3hJGvkA>

Integrating Resources to Create Organizational Opportunity



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Examples of Strategic Capabilities

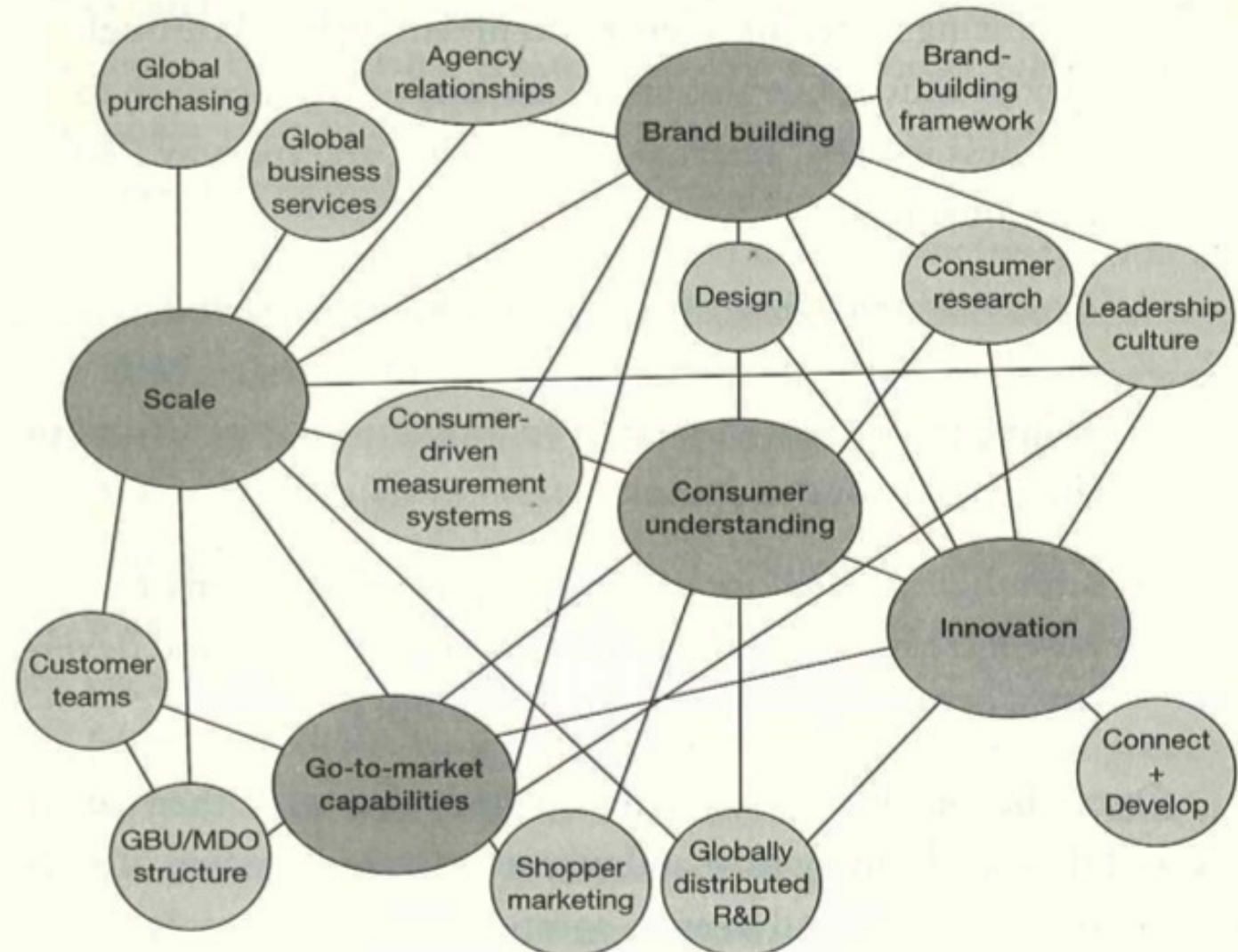
- R&D commercialization in Big Pharma
- Cross-docking at Wal-Mart
- Target company identification at Berkshire-Hathaway
- Dealership development at John Deere
- Search engine optimization at Google
- Relationship management, customer service, flexibility, etc.

“Companies can be good at a lot of things. But there are a smaller number ... that together create distinctiveness, underpinning specific where-to-play and how-to-win choices. P&G certainly needs to be good at manufacturing, but not distinctively good at it to win. On the other hand, P&G does need to be distinctively good at understanding consumers, at innovation, and at branding its products.” A. G. Lafley, P&G

Core Capabilities of P&G

- Understanding consumers
- Creating and building brands
- Innovating
- Partnering and going to market with customers and suppliers
- Leveraging global scale

Procter & Gamble activity system



Why Focus Workforce Strategy on Strategic Capabilities?

- Strategy first not people first
- Ensures that HR is focused on extraordinary service to customers and investors
- Links HR to business strategy directly
- Measures HR performance based on the advocacy and delivery of strategic talent

Not all jobs are strategic

- All jobs are important (at least we hope) but not all are strategic
- Focus is on human capital content of the firms strategic capabilities
- “Effective strategy means performing different activities from rivals or performing similar activities in different ways.” – Michael Porter
- Which jobs are essential to the success of those strategic activities?



Do You Know What Your

CRITICAL ROLES, SKILLS

“A” Jobs are?

“Critical Roles” are those jobs

- Which make the biggest difference to your strategic success.
- Where your strategy requires talent that is better than your competitors for your strategy to win.
- Where improvements in talent would make the biggest difference in strategic success.
- There is significant variability in performance.
- Which should receive disproportionate investment.

Identifying Strategic Positions -- How?

- List positions within each strategic capability
- Assess each position on present and future wealth creation potential
- Identify strategic positions performance variability
- Review other positions (not in strategic capability for wealth-creation potential)

Strategic Impact

- Is the position related to one or more strategic capabilities that you have identified?
- Does this position directly affect the creation of wealth or costs?
- Are mistakes by people in this role very costly?
- Is the potential to create new wealth virtually unlimited in this role?
- Is it expensive to select the wrong person for this role in terms of lost revenues?

Which Jobs Make the Most Difference?

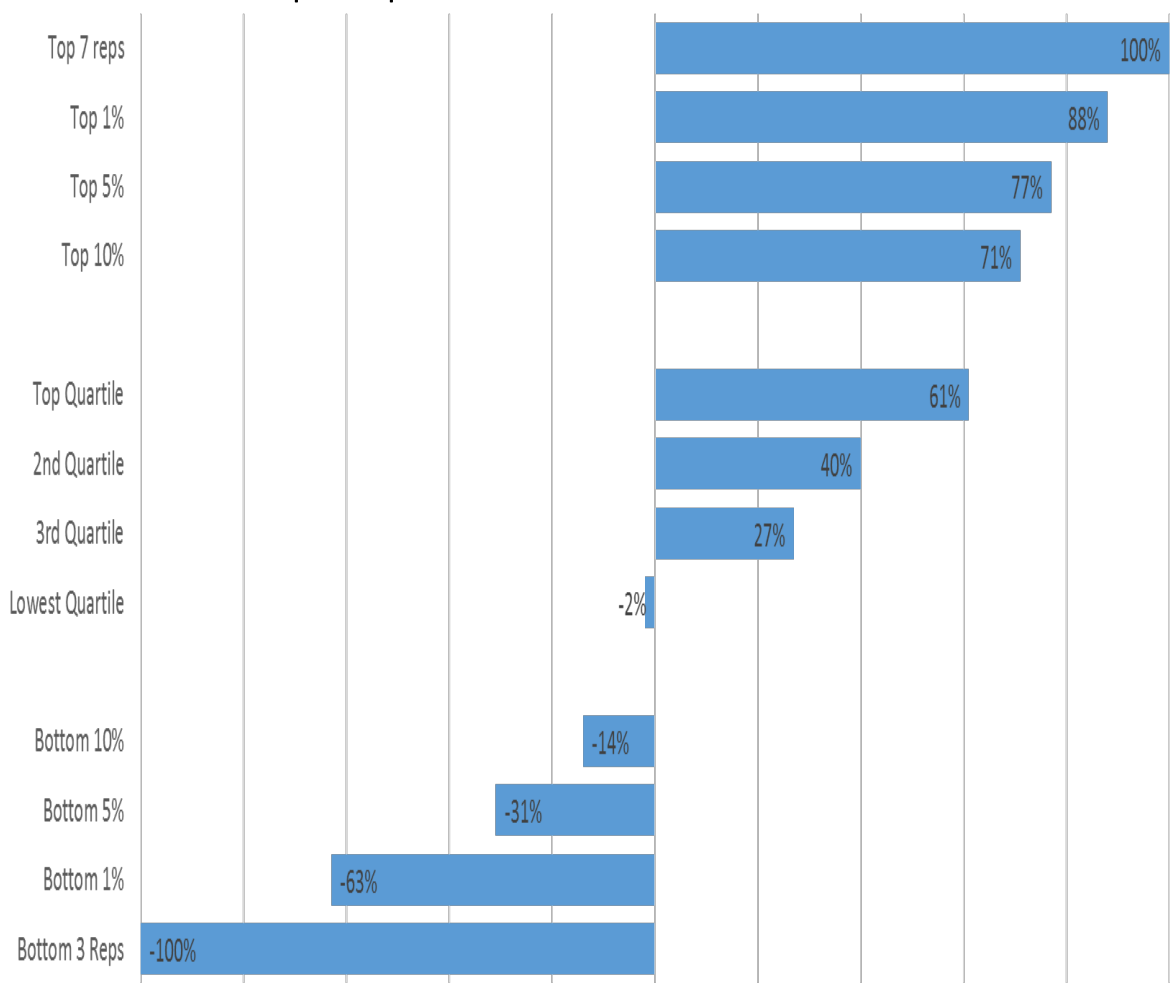
Defining Characteristics	"A" Position High Impact	"B" position Enabling	"C" position Operational
Scope of authority	Autonomous decision making	Specific processes or procedures typically need to be followed with some discretion	Little discretion in work
Primary determinate of compensation	Performance	Job level	Market Price
Effect on value creation	Substantially enhances revenue or reduces costs	Supports value creating positions	Has positive economic impact
Consequences of mistakes	Missed revenue opportunities very costly	May be very costly and can destroy value	Not overly costly
Consequences of wrong hire	Significant expense in lost training and revenue	Fairly easily remedied through replacement hires	Easily remedied through replacement hires

Performance Variability

- Why does this matter?
- To what extent is there a significant performance gap from the highest to lowest in this role?
- To what extent is poor performance in this role immediately detected?

Performance Variability

Sales Rep Impact on Customer Attitude Scores



How the impact of performance level varies by position					
		Airline industry	"big-box" discounter	Pharmaceuticals	Fashion Apparel
Impact if job performance:	is significantly above standard	Creates wealth	Creates wealth	Creates wealth	Creates wealth
		VP consumer insights	Distribution / supply chain manager	VP Discovery	Designer
		Brand manager	Purchasing manager	VP marketing	Buyer
		Fuel hedge manager	Promotions manager	Field sales manager	Supply chain manager
		Events planner/broker	Merchandising manager	Field sales	Floor sales
	meets standard		VP real estate		
		Wealth neutral	Wealth neutral	Wealth neutral	Wealth neutral
		Cabin cleaners	Cashier	Field sales trainer	Floor sales
		Ground crew	Department manager	VP marketing	
		VP consumer insight			
	is below standard	Destroys wealth	Destroys wealth	Destroys wealth	Destroys wealth
		Airline pilot	Store manager	Field sales	Buyer
		Ground crew	VP real estate	VP discovery	Designer
		Fuel hedge fund manager		VP marketing	Supply chain manager
				Quality control engineer	

Strategic Position Examples

Nordstrom: Customer Intimacy

1. Consumer Facing Sales	2. Buying	3. Supply Chain	4. Marketing	5. Leadership
1.A. Sales	2.A. Fashion buyers	3.A. Systems designers	4. A. VP of marketing	5. A. CEO
1.B. Category Supervisors	2.B. Purchasing contractors	3.B. Logistics engineers	4.B. Consumer insight specialists 4.C. Brand managers	5.B. Store managers

Costco: Operational Excellence

1. Real estate	2. Purchasing	3. Logistics, distribution and information systems	4. Merchandising	5. Membership maintenance
1.A. Site-locating analysts	2.A. Category purchasing specialists	3.A. Logistics analysts	4.A. Layout specialists	5.A. Membership marketing specialists
		3.B. Distribution contract negotiators	4.B. Store managers 4.C. Promotions specialists	5.B. Membership systems manager

Determining “Player” Status

- “A” Player -- Top Talent
- “B” Player -- Emerging Talent
- “C” Player – Valued Contributor

Development Grid

P E R F O R M A N C E	H I G H	“C” Players Provide Feedback to Participants Encourage self directed growth & development Provide coach to help achieve better results Identify smaller role in assignments or special projects at current level. Provide opportunities for development or training	Cell 3 “A” Player Actively Develop For Next Level Of Leadership Identify active role (but not leader) within key assignments. Stretch at a different pace than participants in cell #’s 1 & 2. Engage participants to function at greater level of scope (than current position). Provide coach to help achieve better results For example: Serve as a subcommittee chair on a multi-functional team	Cell 1 “A” Player Actively Develop For Next Leadership Level Identify lead roles within key assignments <i>(typically there are only a select few of these)</i> to engage participants in functioning at greater level of scope (i.e., magnitude, time & complexity) than current position. For example: job rotations, action learning, task force leader, committee chair
		“C” Players Provide Feedback to Participants Encourage self directed growth & development • Coach to help achieve better results • Identify smaller role in assignments or special projects at current level. Encourage participant to find a mentor to improve proficiency levels of competencies	“B” Players Provide Feedback to Participants Encourage self directed growth & development. Identify a coach to help achieve results & mentor to improve proficiency levels of competencies. Identify assignments, special projects with broader/bigger role than current level. Provide other development opportunities Keep Motivated	Cell 2 “A” Player Actively Develop For Next Leadership Level Identify active role (but not leader) within key assignments. Stretch at a different pace than participants in cell #1. Engage participants to function at greater level of scope (than current position). Provide coach to help achieve results and mentor to improve proficiency levels of competencies
	L O W	“C” Players Provide Feedback to Participants Encourage self directed growth & development. Mentor to improve proficiency levels of competencies. Provide additional learning/development opportunities at current level (e.g., seminars, workshops) Provide opportunities for involvement in special projects	“B” Players Provide Feedback to Participants Encourage self directed growth & development Mentor & train to improve proficiency levels of competencies. Provide additional learning/development opportunities at current level (e.g., seminars, workshops) Provide opportunities for involvement in special projects Keep Motivated	“B” Players Provide Feedback to Participants Encourage self directed growth & development • Mentor & train to improve proficiency levels of competencies. Provide additional learning/development opportunities at current level (e.g., seminars, workshops) Provide opportunities for involvement in special projects Keep Motivated
		LOW	POTENTIAL	HIGH

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Strategic Workforce Matrix

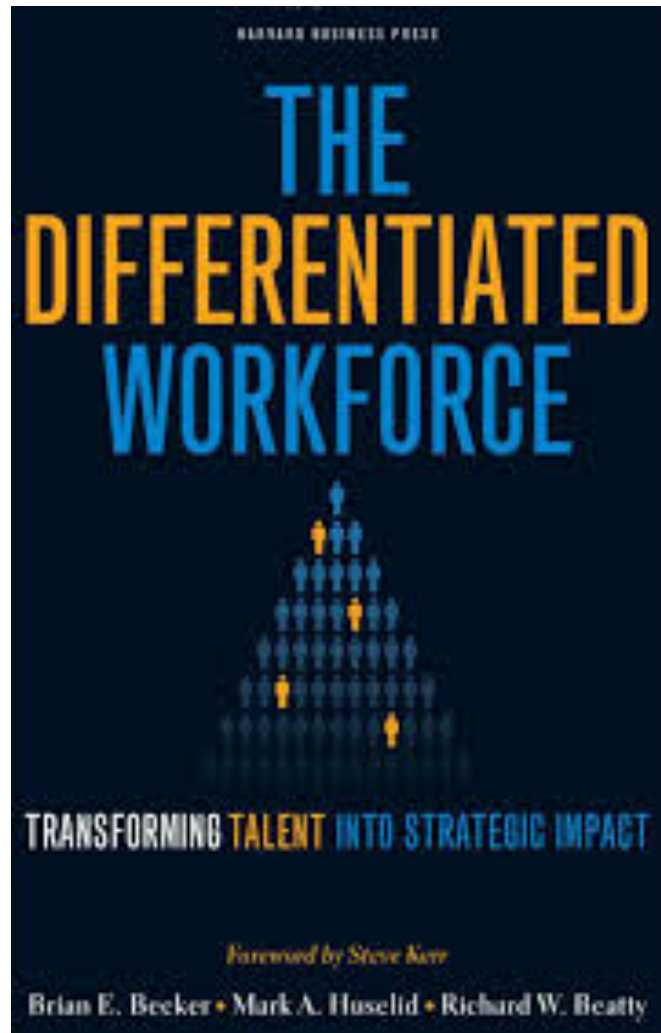
		<u>Talent Assessment</u>					
		Valued Contributor		Emerging Talent		Top Talent	
<u>Position Assessment</u>	“High Impact”	<div> <div>%</div> <div>#</div> <div>Target: _____</div> <div>Actual: _____</div> </div>		<div> <div>%</div> <div>#</div> <div>Target: _____</div> <div>Actual: _____</div> </div>		<div> <div>%</div> <div>#</div> <div>Target: _____</div> <div>Actual: _____</div> </div>	
	“Performance Enabling”	<div> <div>%</div> <div>#</div> <div>Target: _____</div> <div>Actual: _____</div> </div>		<div> <div>%</div> <div>#</div> <div>Target: _____</div> <div>Actual: _____</div> </div>		<div> <div>%</div> <div>#</div> <div>Target: _____</div> <div>Actual: _____</div> </div>	
	“Operational Excellence”	<div> <div>%</div> <div>#</div> <div>Target: _____</div> <div>Actual: _____</div> </div>		<div> <div>%</div> <div>#</div> <div>Target: _____</div> <div>Actual: _____</div> </div>		<div> <div>%</div> <div>#</div> <div>Target: _____</div> <div>Actual: _____</div> </div>	

Attributes of a Differentiated Workforce

- Equity not Equality
- Engaging the Right Employees
- Hiring Choice Employees, Not Becoming the Employer of Choice
- Earned Increases, Not Entitlement

WORKFORCE STRATEGY: PROCESS FLOW FOR HR PRACTICES

Current State	HR Practice Changes	Strategic differentiation
<ul style="list-style-type: none"> • Same process for all positions • Recruit on demand • HR Driven 	STAFFING	<ul style="list-style-type: none"> • Constant recruiting for key positions • Line ownership • Competency-based
<ul style="list-style-type: none"> • Once a year • Leaders not skilled with development planning and feedback • Reluctance to address issues 	PERFORMANCE MANAGEMENT	<ul style="list-style-type: none"> • Ongoing/proactive for key positions • Leaders well trained and accountable • Performance issues managed
<ul style="list-style-type: none"> • Most development offered to all employees • Some differentiation for "key talent" • "Random" approach to career pathing 	DEVELOPMENT	<ul style="list-style-type: none"> • Greater differentiation of investment to build strategic capabilities • More career guidance for key areas/positions • Competency approach
<ul style="list-style-type: none"> • No assessment or process for key positions • Success factors not well-defined • "Tough" calls are sometimes avoided 	TALENT MANAGEMENT	<ul style="list-style-type: none"> • Leadership development program and assessments well-defined • Success factors well-defined for key positions • Process ensures that key talent occupies key positions
<ul style="list-style-type: none"> • Pay at market • Pay for performance • Universal retention strategy 	COMPENSATION	<ul style="list-style-type: none"> • Increase pay for key positions • Pay for performance, greater at-risk pay for key positions • Targeted retention plans
<ul style="list-style-type: none"> • Messaging for HR and leadership is unclear 	COMMUNICATIONS	<ul style="list-style-type: none"> • Processes are well-defined and communicated to HR and Leadership



Becker, B., M. Huselid, R. Beatty. The Differentiated Workforce: Transforming Talent into Strategic Impact. 2009.
Harvard Publishing

EMPLOYEE SATISFACTION

Employee is happy with the company, his/her particular job, coworkers, etc.

versus

EMPLOYEE ENGAGEMENT

Employee contribution to the betterment of the company.
(Typically accompanied by satisfaction.)



Culture versus Engagement?

- Culture is the sense of “how things are done around here.”
- Engagement is “how employees feel about how things are done around here.”

What is engagement?

- Engagement, in many ways, is the temperature gauge of a company's ability to proactively address issues on behalf of the workforce.
- And research clearly shows that when employees feel empowered and have a sense of ownership for their jobs, their engagement is significantly higher.

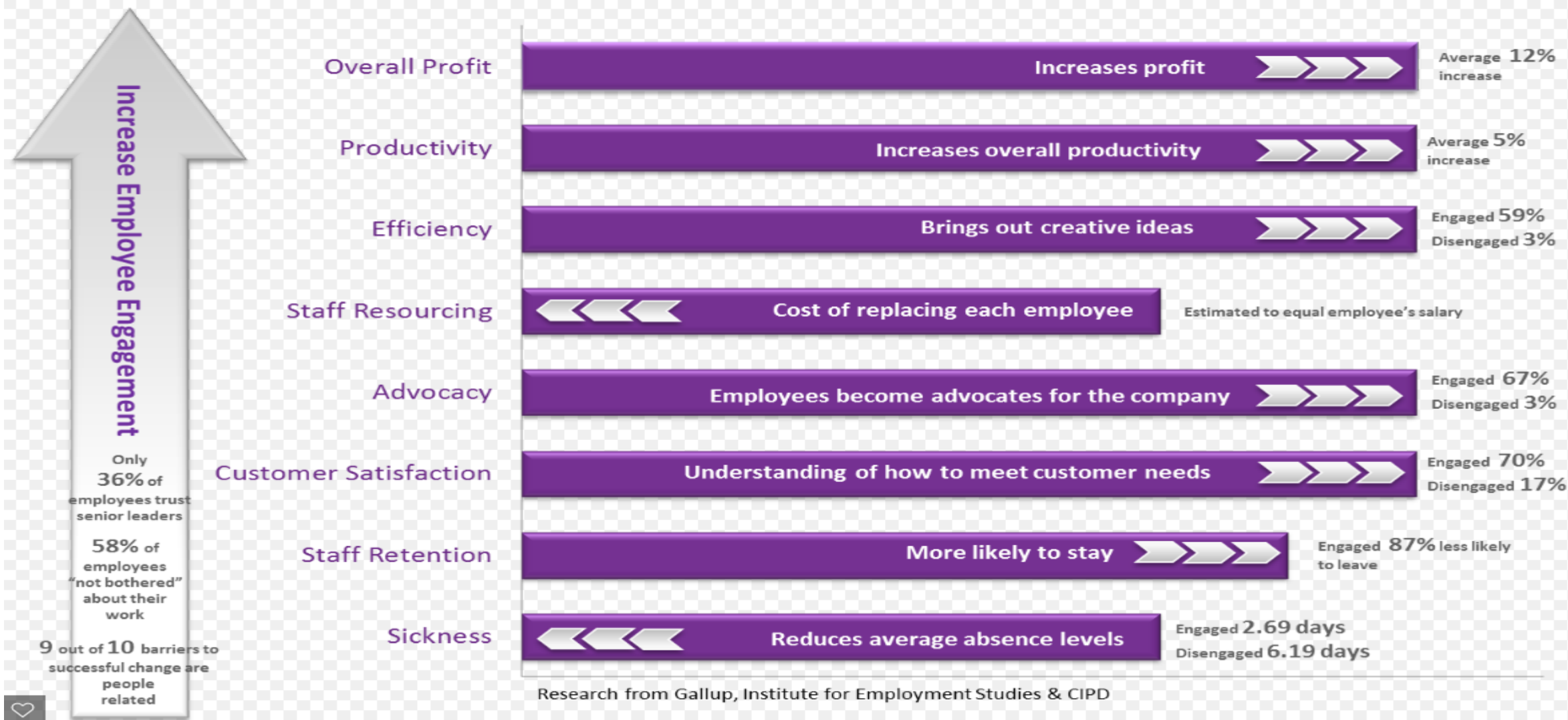
Does It Matter?

- Revenue Growth: Top quartile 2.5 times greater than bottom quartile
- Profit: Top quartile double the bottom quartile
- Productivity: Top quartile 18% higher productivity than bottom quartile
- Innovation – 59% of engaged employees indicate job stimulates creative ideas compared to 3% for less engaged
- Customer Satisfaction – Top quartile 12% higher customer advocacy than bottom quartile
- Employee Turnover – 40% lower turnover for high level vs. low level engagement scores

*Multiple research studies summarized in the book [5 Conversations](#)

The benefits of focusing on People and Performance

Financial efficiencies can be achieved as a result of high levels of Employee Engagement



Why such a Focus on Engagement?



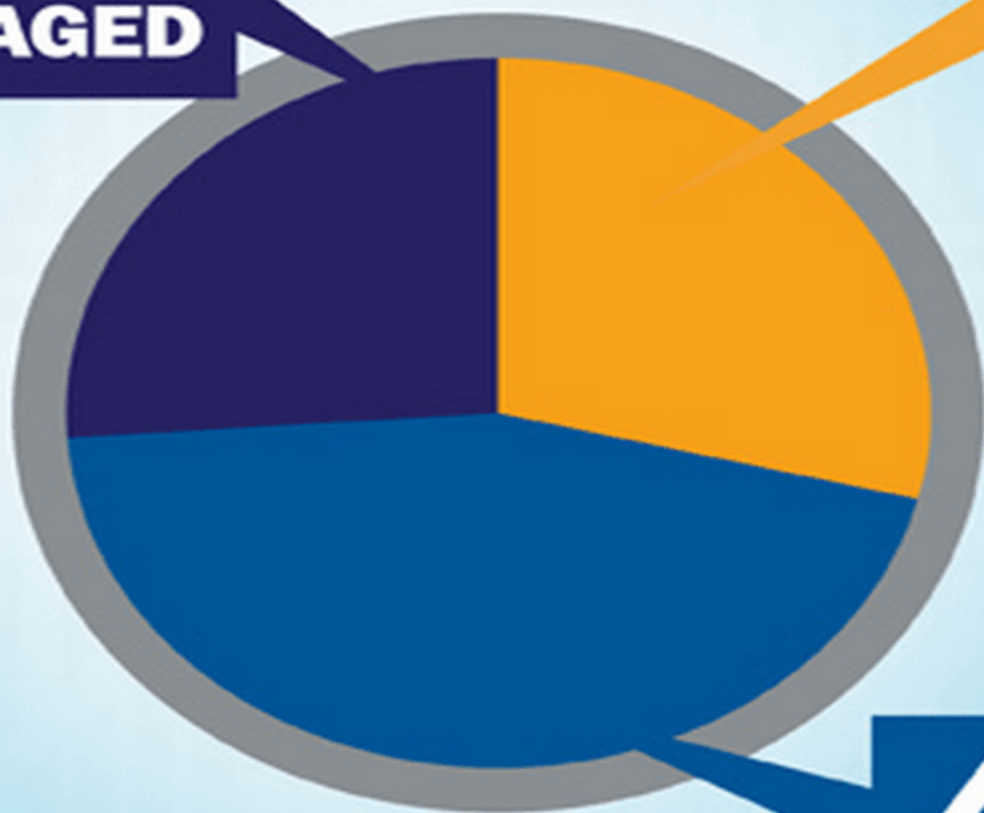
- Intense competition for talented Millennials, many of whom are less loyal to organizations than ever before.
- Continued need to attract workers with technological and other specialized skills, as every company digitizes its business.
- An organization's employment brand is now open and transparent, so job candidates can easily see if a company is a great place to work.

How good are we at engagement?

- One in five executives report that their companies do not formally measure employee engagement at all. 20%
- Only 11 percent of companies have a highly inclusive work environment. 11%
- Only 4 percent believe they are very good at engaging Millennials and other generations in the work environment. 4%

26% ARE **ACTIVELY
DISENGAGED**

29% OF THE
WORKFORCE IS
ENGAGED



45% ARE
**NOT
ENGAGED**

This chart represents the
breakdown of employee
engagement across the US.

Why is engagement a challenge?

- Today's workers place a higher premium on flexibility, creativity, and purpose at work.
- Company structure is changing to put a greater emphasis on empowered teams and team leadership.
- Companies need a new breed of empowering, supportive and open leaders at a time when companies still struggle to find leaders.



How can we improve engagement?



Meaningful Work	Hands-On Management	Positive Work Environment	Growth Opportunity	Trust in Leadership
Autonomy	Clear, Transparent Goals	Flexible Work Environment	Training and support on the job	Mission and Purpose
Select to Fit	Coaching	Humanistic Workplace	Facilitated Talent Mobility	Continuous Investment in People
Small, Empowered Teams	Invest in Management Development	Culture of Recognition	Self-Directed, Dynamic Learning	Transparency and Honesty
Time for Slack	Modern Performance Management	Inclusive, Diverse Work Environment	High Impact Learning Culture	Inspiration
A Focus On Simplicity				

© Bersin by Deloitte

Where companies can start

- Redefine engagement
- Create a sense of passion, purpose, and mission
- Focus on all three levels – organization, team, and individual
- Link management compensation to engagement
- Consider “stay” interviews
- Is your engagement effort “always on”?

Employee Engagement

The primary driver of employee engagement is the quality of their relationship with their leader.

So . . . how do Leaders build productive relationships with their employees?

What are the six work climate dimensions?

Team members' perceptions that:



FLEXIBILITY

There are no unnecessary rules, procedures, policies or practices.



REWARDS

They are recognized and rewarded for good performance.



RESPONSIBILITY

They are given authority to accomplish tasks without having to constantly check for approval.



CLARITY

Everyone in the team knows what is expected of them.



STANDARDS

Challenging but attainable goals are set for the team and its employees.



TEAM COMMITMENT

People are proud to belong to the team.

Tools of Engagement for the Leader

- Situational Leadership
- Performance Management and Accountability
- 5 Conversations
- Employee Development