Two Talent Metrics Matter Most

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There are two questions that we ask in our early conversations with clients. Their answers provide us with deep insights about their ability to add value through talent. They also instantly diagnose which talent practices need more attention.

The two questions are:

1. Is your organization able to sustain individual high performance?

2. Do you have appropriate talent depth in your most important roles?

Each question is highly proximate to the success of the business. Together they largely subsume other prominent HR topics like engagement, learning, DE&I, talent acquisition and people analytics. Because of that, they define a "true north" for HR

that aligns us with the areas that best contribute value.

Let's use these same two questions to quickly diagnose your organization. Ask yourself these two questions and use the 3 drivers beneath each to help elevate the value you deliver through talent.

Is your organization able to sustain individual high performance?

If your organization can't sustain individual high performance from the executive suite to the shop floor, nothing else matters. You'll flounder against the completion and eventually fail, be bought or go bankrupt. Achieving this outcome must be job #1 for HR.

There are three scientifically-proven levers that build your organization's ability to sustain high performance:

1. Everyone has three big, challenging and aligned goals: You've heard us bang this drum for years. We continue that noise because great goals are the single largest lever of individual high performance. Sadly, too many organizations still don't have a rigorous and disciplined goal setting process.

Solution: Great goal setting means that your organization has:

- **A clear cascade of goals**, starting at the executive team. Nearly every executive team has goals but they frequently fail to cascade them to the rest of the organization. Our most recent Performance Management research shows that just 1/3 of companies have an effective cascade. Execute a logical cascade from the executives to the level where job standards are a better guide than
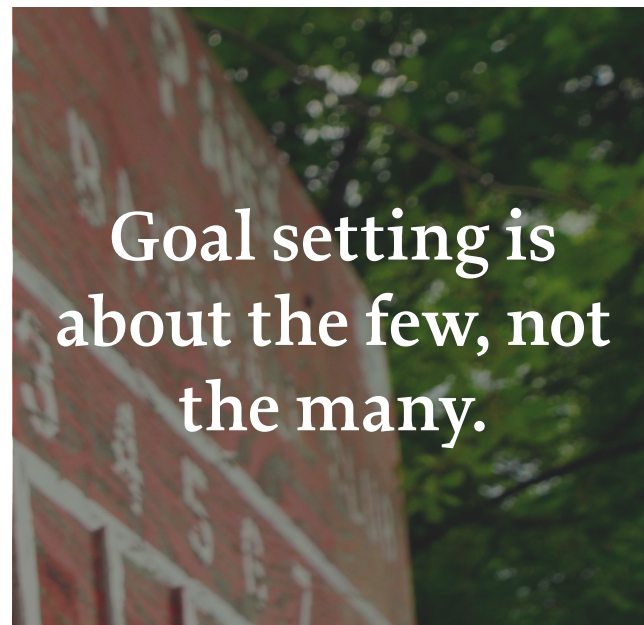
> ## Goal setting is about the few, not the many.

goals. Finish this by the start of your performance year.

- **Few goals:** We all have many things to do, but only a few truly important deliverables. Goal setting is about the few, not the many. We want to know the three big goals that describe the outcomes an individual is producing (i.e., increase company engagement by 3%) not their activity (create, administer and analyze engagement survey).[1,2] The goal should be crisply written (no run on sentence) and there should be no bullets underneath the goal.

- **Big goals:** The science is clear that bigger goals typically produce bigger results.[3] Your managers should know their team members well enough to understand their true capabilities and should set goals at the upper end of their performance range

    Goal calibration should help to avoid bias by ensuring that a relatively similar level of challenge has been set for everyone on

the team. Rating calibration should help to ensure that goal difficulty is considered when assigning ratings and rewards.

Read more about great goal setting here.

2. Managers transparently coach for performance: We've never met a manager who disagrees that they should transparently coach their team members but few who admit they aren't consistently effective at it.

When we ask employees, however, we find that good news travels quickly and bad news often doesn't reach its destination at all.

Both human and process challenges get in the way of transparent coaching. Most of us have inflated views of our performance and those with the worst performance are the least self-aware.[4, 5] This can make leaders hesitant to provide feedback when they expect negative employee reactions.[6] It can also make team members less likely to ask for feedback since they perceive themselves as strong performers.

On the process side, giving managers complex coaching approaches that require training or certification grossly over complicates what should be a straightforward process. Managers are far less likely to coach if you give them a difficult and heavy process.

Solution: Use a simple, easy and auditable process like our 2+2 Coaching method. In 2+2 Coaching, managers have quarterly conversations with every team member. In that conversation they share two observations about the team member's progress on goals and two "feedforward" suggestions for how that employee can be an even higher performer going forward.

This is not a sophisticated coaching approach and it's not intended to be. We believe that if every manager has quarterly 2+2 conversations with every team member there is a guaranteed performance lift. Once a manager is comfortable with the 2+2, they can add additional content to that conversation if they choose to.

3. Accountability for performance-driving behaviors: Accountability for driving performance is the missing ingredient at so many of our clients worldwide. Accountability means there are meaningful positive or negative consequences for leaders' actions.

Solution: The manager's manager should review all goals 2-levels down and make recommendations for changing goals that she doesn't feel strongly support high-performance. HR needs to take accountability for reading through 25 or 30 leaders' goals and providing helpful feedback when they find

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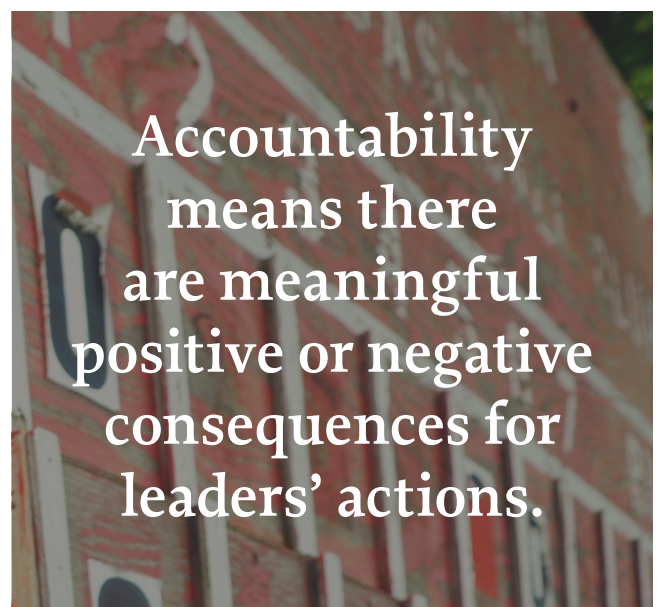
one where the goal or metric can be improved. Let's stop tracking the meaningless metric of "percent of goals in the system."

For transparent coaching accountability, we recommend a 1-question survey to employees that asks, "Has your manager had a formal performance coaching conversation with you in the past 90 days?" There are only two answer choices – yes or no. That manager's manager sees the results and needs to hold every direct report accountable for 100% "yes" responses.

Do you have appropriate talent depth in your most important roles?

Let's start by defining what we mean by "appropriate." We believe that having one "ready within six months" leader for every critical role gives you appropriate depth.

You need to make sure that this is truly a "ready" candidate and not simply a convenient name a manager has included to complete her succession chart. It also doesn't count if the individual is an emergency choice and couldn't perform that role at a differentiated level.

Achieving this outcome requires that you know your critical roles, grow talent for them and have a process to match talent to them.

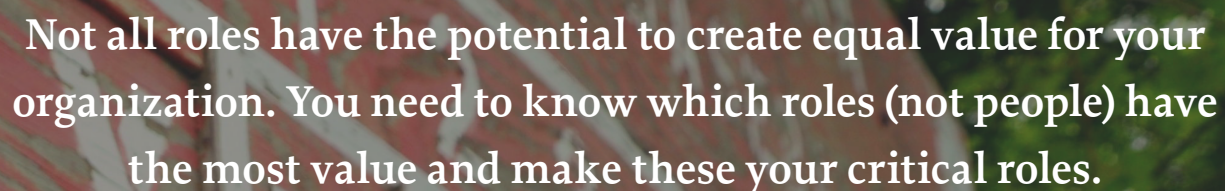**1. Your best talent is in your most critical roles:** Not all roles have the potential to create equal value for your organization. You need to know which roles (not people) can create the most value and make these your critical roles.

You can use the critical role definition that works best for your organization, but it should cover any role where an unplanned departure would cause meaningful financial, operational or reputational challenges.

Solution: Conduct a critical role exercise with clear and restrictive criteria for the roles selected. Our criteria is that the role has significant strategic impact (important constituencies will notice if the role isn't filled) and significant differentiated impact (the quality of the incumbent can create very large differences in performance).

We typically see fewer than 20 roles or 1% - 3% of the population accurately placed into the category of critical roles. Critical roles are not the same as executive roles and many functions will have no critical roles. For that reason, do NOT ask every executive to simply give you a list of their group's critical roles.

2. Accurately define and assess potential: Potential is found in that very small space at the intersection of an individual's capabilities and the organization's specific future needs. It's easy to forget that potential isn't just what the individual brings to the table. Many individuals who are high potential in one organization may not be in another if there

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are different strategic challenges.

   Solutions: Defining and assessing potential each comes with its own challenges and we find that companies struggle to accurately achieve either.

- **Define potential:** It's not yet known how to perfectly define individual potential so for now let's use the best science and recognize that it's incomplete. That science says that cognitive capability is the largest predictor (especially in more complex roles), followed by select personality factors like conscientiousness and rounded out by motivation to achieve, or ambition. We describe the science in more detail in our article "Potential After the Pandemic," so won't further elaborate here.

   The critical first (and often unasked) question in any discussion evaluating potential should be, "Has this individual demonstrated sustained high performance (75th percentile compared to their peers) across challenging roles?" If the answer is "no," they are at best a good performer. They do not have potential to advance until they are a consistent high performer.
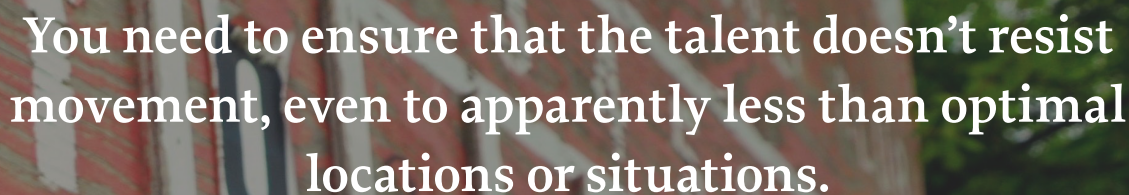
   Individual potential also depends on an organization's needs and we describe how to map these needs in our article "Companies Change Faster Than Leaders Do" In short, define the few capabilities that will differentiate success in your company's future strategy and map the individual against those capabilities.

- **Measure potential:** You assess potential through a well-executed talent review discussion, not using the potential assessments that many consulting firms try to sell you. Your leaders should have deep knowledge about, and experience with, the talent being discussed that allows them to evaluate both the individual's capabilities and their potential to display differentiating capabilities in a larger, more challenging role.

   We run a talent review simulation in our Talent Management Institute and our TMI for Leaders programs that teaches real-world talent review skills. Among the most important skill is the ability to constructively challenge a potential assessment they disagree with. Questions like, "Would you stake your corporate life on that person's future success?" and "How do they compare to the best in our industry, not just the best here?" can immediately improve selection accuracy.

3. Execute a disciplined approach to producing talent: Talent should be produced with the same care and discipline with which you would produce any other highly

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valuable item. This does not mean that you treat your talent like widgets, rather that you elevate your talent development approach to reflect the importance it should have in your organization.

Solution: We developed the Talent Production Line (TPL) concept more than 10 years ago and have taught and advised thousands of leaders how to optimize their production of talent. The TPL helps you to build better talent, faster.

Since your goal is to build an appropriately deep bench of talent, a smoothly operating TPL ensures that you will get that talent more quickly than you otherwise would have.

There are four steps in the Talent Production Line:

- **Specifications**: Identify the four or five differentiating capabilities that will help you to achieve your strategy. Those few capabilities, not the long list of good citizen behaviors, define what you are trying to produce.
- **Raw Materials:** In this step you select the talent you want to produce. Not all the great talent inside your organization can be shaped into what you have specified. Your talent review process should allow you to sort the best from the good. Your goal is to make this process as predictively accurate of forward movement as possible and focus your limited resources on the talent who's most likely to succeed.
- **Production:** Do you have in-house the experiences, exposure and education needed to take that raw material and produce it to your specifications? Are you moving your high potential talent through those elements in the most effective way possible? Production requires that someone builds, monitors and reports on production progress.
- **Distribution:** You've spent time and money to produce incredible talent, so you want to place it where it will have the best impact in the organization. You need to ensure that the talent doesn't resist movement, even to apparently less than optimal locations or situations. You must also ensure that leaders are not holding back talent from placement because they want to sub optimize the individual for their own benefit.

Just Two Questions

Every day you face challenges that can distract you from adding value to your organization. We understand that so simply ask that once a week you challenge yourself to:

1. Build your company's ability to sustain individual high-performance. Increase the focus on goals, transparent coaching and clear accountability for managers to drive performance.

2. Increase talent depth in your most important roles. Accurately identify the company's critical roles. Be sure your talent review uses a practical and science-based potential definition. Structure talent building with the care and discipline that will consistently produce great outcomes.

Building a high performing company is challenging. Start by asking two questions.

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