# Talent Matters to All Stakeholders

*By Dave Ulrich*

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There is no question that talent matters to an organization's success. Talent (workforce, people, competence, skills) has been the bailiwick for HR, captured in the maxim, "war for talent." This talent emphasis has led to innumerable innovations in how firms bring people into the organization, move them through the organization, and appropriately move them out of the organization.

Today general managers and HR professionals need to help their organizations move beyond fighting the talent war to winning it. Winning talent wars requires creating great organizations, but it also requires a clarity about managing talent with a focus on outcomes that deliver value to the right recipients. For example, it is not enough to build on strengths, but individuals must use strengths to strengthen others. Measuring the amount of training or staffing is not enough; one must measure the impact of training or staffing on key organization outcomes. Competencies matter to the extent that they affect key business outcomes.

The primary stakeholders for talent outcomes have traditionally been inside the organization; investments in talent resulted in greater employee productivity and well-being as well as organization strategic success. Going forward, the value of talent will also come from how talent choices affect those outside the organization, not just inside. Let me suggest three emerging stakeholders to focus on in shifting talent from being primarily an internal activity to one that provides valued outcomes outside the organization.

## Talent matters to boards of directors.

In a recent meeting of the National Academy of Corporate Directors conference, a group proposed that the compensation committee of the board be expanded and changed to become the talent, leadership, and culture committee. This committee would have a charter to evaluate not only the organization's compensation practices but its processes around leadership, succession, talent review, culture, and talent risk management as well. A broader "talent" mandate at the board level signals its importance to business leaders throughout an organization.

## Talent matters to customers.

In the past few years, we have argued that leaders are most effective when their behaviors reflect customer promises. When a firm brand translates to a **leadership brand**, leaders create more value for targeted customers as well as employees. The essence of a customer focus is that employee sentiment is a lead indicator of customer sentiment. We know that employee engagement (however measured) is a lead indicator of customer engagement. For example, customer net promoter scores are highly correlated with employee commitment scores. Employees should focus on delighting customers and developing the skills that customers value.

## Talent matters to investors.

Many investors are increasingly looking to predict and capture long-term value from a company. To do so requires looking beyond financial results (e.g., earnings, EBIDTA) to intangibles (like strategy, brand, technology, and systems) and talent, leadership, and culture. In our research, we found that about 35 to 40 percent of a firm's market value was tied to financial results; 30 to 35 percent was tied to intangibles (like strategy, brand, and supply chain); and 25 to 30 percent related to the quality of leadership (surrogate for talent). A higher quality of talent should reflect a greater investor confidence that an organization can deliver intangibles and consistently create financial results.

When we interviewed investors, they almost uniformly agreed that people matter and that talent management processes should affect their valuation of the firm. But even though they recognize the variance in market valuation due to talent, they often lack a rigorous way to understand and track talent. In the book Leadership Capital Index, we offer a framework and tool that investors and talent managers can use to measure the quality of an organization's leadership. Talent managers need to prepare a simple but robust way to discuss talent with investors, and they can rely on the **Leadership Capital Index** to give investors confidence in the quality of leadership overall and of talent in particular. Using this index, one firm reports employee productivity and well-being indicators to investors; another reports succession data; and another is working to report the entire Leadership Capital Index. Talent managers might prepare presentations on talent for investors, which then might compose 10 to 15 percent of investor calls or road shows. This could also include preparing talent metrics as part of the investor calls or it might be working to help investors recognize the quality of leadership within the organization.

## Talent Matters Conclusion

Quality of talent clearly impacts employee and organization outcomes. In some cases, unique individual talent (e.g., a scientist, a rainmaker, or an innovator) helps organizations succeed. But, looking ahead, talent will also impact stakeholders outside the organization including boards of directors, customers, and investors and must go beyond individual talent. When talent ideas and tools connect to these stakeholders, more value is created for the stakeholders and the organization.

Building leaders who can build talent, requires focus and effort. The RBL Group, of which I am a co-founder, aids individuals and organizations as they work towards better talent and better strategy. We have development programs designed specifically to build leaders who deliver results which customers, investors, boards, employees, and even communities value. **Click here** to learn more.

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rblmail@rbl.net