TALENT

The CEO's Talent Agenda

The TQ Interview: Dr. Jeffrey Pfeffer, Stanford University

Calculating the Optimal Length of Time to Lie to Your Employees

A New Understanding of Potential

The Final Word: Talent, Tosh and Truth

Dr. Jeffrey Pfeffer

Thomas D. Dee II Professor of Organizational Behavior at the Graduate School of Business, Stanford University

- Author or co-author of 13 books including *The Human Equation*, *Putting People First* and *The Knowing-Doing Gap*

- Awarded the Richard I. Irwin Award for scholarly contributions to management by the Association of Management

- Rated one of the top 25 management thinkers by Thinkers 50

- Visiting professor at Harvard Business School, Singapore Management University, London Business School, Copenhagen Business School and IESE in Barcelona

- Stanford Ph.D.

The superlatives "prolific author" and "distinguished academic" seem insufficient when one considers Dr. Jeffrey Pfeffer's lifetime accomplishments. As one of the world's leading management thinkers, Pfeffer has influenced executives on topics from evidence-based management to power to getting the best from their employees. *TQ* asked Pfeffer for his perspective on how companies can more effectively manage their talent.

TQ: CEOs and board members regularly say that talent issues are at the top of their agenda while rating their own companies as poor at building talent. What do you believe is getting in the way?

Pfeffer: If you ask people what's important they'll give you a list of things. But if you look at how they spend their time and allocate their organization's resources, you'll see that they don't do very much about it. The real question about strategic priorities comes when an executive actually has to make decisions

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about resource allocation and how to run their organization. Do they do it in a way that fosters the growth of talent? In most cases most senior leaders don't.

Everybody talks about developing talent but in many companies it's become buy rather than make. Companies would rather spend a fortune on executive recruiters. That's a highly risky process since many searches don't complete, or they find people who don't fit with the organization's culture or aren't that good.

They do that rather than taking that money and using it to develop internal people. They say

talent's important but they don't act that way, so it must not be.

TQ: So are CEOs not telling the truth when the say they believe in developing talent?

Pfeffer: They don't believe in it sufficiently to do anything about it, which is the same thing.

One example is inside versus outside succession, another is succession planning – which many don't do – and a third example is that the first thing that goes in any time of economic stringency is talent development. The best managed companies don't do this, but many of them do. So talent is important until my share

price is down a little or we have a little economic stringency, and then the first thing that goes is training.

TQ: You're a strong proponent of evidence-based management. To what extent do you see evidence-based management being applied in companies when they select and manage talent?

Pfeffer: I'm not sure I can answer that question with precision since I don't know what every company is doing. My sense is that it took 200 years for evidence-based medicine to make reasonable progress and it will be at least that long for evidence-based management. It is a long slog.

Talent is basically in the bailiwick of HR people and HR people do a lot of things that I don't really think are very sensible.

Benchmarking is one. I'm going to go find out what a lot of other people are doing – basically copy them - regardless of whether or not it fits in my organization or there's any evidence it would work in my organization. So number one, they chase what everyone else is doing. Number two, they chase whatever seems to be the fad or trend of the year. Neither of those things is reflective of evidence-based management.

In those organizations I've encountered, the state of play with respect to HR analytics, despite all of the talk about it, and the application of HR data to talent management is very rudimentary. This isn't true in a place like Google, but it would be true in most places.

Part of this can be as simple as a metric for what's your retention rate for your best talent. Or reviewing where your best people are coming from and what have their career paths and patterns been. A lot of this data is already sitting around and it's not being used.

TQ: In your recent book *Power: Why Some People Have It and Others Don't*, you mention that power might be more important to individual success than performance. What are the implications of this for how companies should select, assess or manage talent?

I recently gave a talk to a group of training executives and asked the participants three questions. I asked them to raise their hand if they agreed that career derailment is a problem in their organization. Of course, most hands went up. So one issue in talent management is that a company hires smart, talented people, and they come to a point in their career when they derail and in some instances lose their jobs.

I asked them to keep their hands up if they agreed that this problem was expensive. Most of their hands stayed up because when leaders derail it's costly. You have to replace them or rehabilitate them. It's an expensive process. So we all agreed that derailment was an issue and we all agreed that it was expensive.

I asked them to keep their hands up if they

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agreed with the statement "In most instances, career derailment comes not from an absence of technical knowledge or skill or motivation, but comes from an individual reaching a level in the organization where they can not cope with the political dynamics?"

Every hand stayed up because we all know that's why people derail. If you were going to derail because you couldn't do your job, you probably wouldn't have been hired in the first place and promoted several times along the way. So derailment is almost always due to an inability to manage organizational dynamics.

I asked them to keep their hands up if they had, in any of their leadership development activities, training on power and influences processes. At that point every hand went down.

That is the problem. First, derailment is reasonably common. Second, it is costly. Third, in virtually all instances it occurs because people have political troubles - they don't get along with their peers or their boss, they can't get stuff done in complex, interdependent systems. Fourth, extremely few organizations include training mastering those skills as part of their executive education process.

There's clear evidence that it can be taught – that it's a skill just like any other. Until we start to train people in these skills, nothing is going to change.

This means that organizations will recruit, train and build technical talent that they will lose because they haven't given them the skills in organization dynamics they need to apply their technical talent effectively.

TQ: You originally wrote about power in your 1981 book *Power in Organizations*. Has anything fundamentally changed in the 30+ years since you wrote that book?

Pfeffer: Not only is there no change over time but I just wrote a paper published in the *Academy of Management Perspectives* where I argue that there's very little difference across cultures.

We're talking about fundamental human psychology which is largely, not completely, invariant over both time and place

It's interesting that we're celebrating the 500th anniversary of the publishing of Machiavelli's *The Prince*, and there have been articles in The Atlantic and The New York Times stating how relevant that book still is today.

So not only has power not changed over 30 years, it hasn't changed over 500 years!

TQ: A CEO asks you to tell him or her the two things they should absolutely do to build strong talent in their organization and the one thing that they should absolutely not do. What would your advice be?

Can I give you three things? First, you should invest in training, which the best organizations have done for years. Number two, you need to

Might we suggest
Simplicity, Accountability and Transparency?

One Page Talent Management is the best-selling Harvard Business Review Publishing book that describes how to radically simplify your company's talent building practices. Often called the "talent management bible," it provides the powerful science and practical steps you need to grow better talent faster.
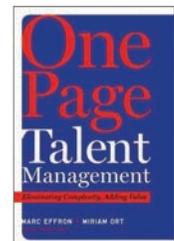
Available at Amazon.com

move people around and give them jobs that stretch their capacity and capabilities and give them sufficient exposure and breadth so that they learn.

As you know, learning is involved mostly in seeing connections, and the way you see connections is that you put people in different places. Then they can see the connections among them. The third thing you should do is make one of your evaluation criteria for leaders their ability to attract and retain talent.

If people are making their numbers but they're losing people... that should count against them.

At SAS Institute, the largest privately owned software company in the world, that's basically the only way in which managers are evaluated. Maybe it shouldn't be the only way but it ought to be a component. If people are making their numbers but they're losing people or they're not exporting talent to other parts of the organization, that should count against them.

The one thing they should not do is they should not stop activities that are fundamental to their organization's success just because there's a bit, or even more than a bit, of economic stringency. It is extremely expensive to start and stop training programs. It is extremely expensive to start and stop internal mentoring programs. It is extremely expensive and inefficient to start and stop job rotation programs.

The problem is that when times are the toughest is when you need the best talent and the most systematic learning and growth development to overcome the economic stringency. That's exactly when these activities stop.

It is sad and depressing how little of this seems to have changed over the past 20 or 30 years. These are themes and discussions that are in the worst sense recycled, in the sense that nobody ever seems to learn anything.

TQ: Let's explore that a little. I've seen more leaders starting to "get" talent, or pretending they do, than ever before. That's actually raised the bar on their expectations for internal HR. My experience is that CEOs are more frustrated now in that they want to accomplish X, Y or Z and they're not getting the right level of support from HR.

Pfeffer: That makes sense and that's another theme and one that Dave Ulrich has written about for years. There's been lots of talk about upping HR's game, which has gone on for at least a decade, probably more, and I don't see very much evidence that the game is getting upped as fast as it needs to be.

TQ: To that point, in this issue of *TQ* we feature an article that asks CEOs to upgrade their CHRO expectations. That article points out that many CEOs have never had a great HR partner so they have no benchmark against which to evaluate their current CHRO.

Pfeffer: I would make the observation that if you go out and look at the difference between the best and the worst CHROs in the Fortune 500, it's much greater than the difference between the best and the worst CFOs.

There are functions, CFO being one, where when you get to a certain level there will be some that are better than others but the difference isn't that big. With CHROs, the difference is enormous.

Part of it may be that there are functions that have been seen as more core and where more attention has been paid to making sure you have good people. Any major differences in individual capabilities would have been competed away, trained away or evolved away.

CEOs understand what a CFO is supposed to do and for that matter in marketing as well and in many of the other functions. But somehow in human resources I think that it goes back to your observation that if I don't know what a good one is, its difficult to know what I should do differently. **TQ**