Talent Transformation

IMD’s perspective on why now is the time to think differently about talent
“The person born with a talent they are meant to use will find their greatest happiness in using it.”

Johann Wolfgang von Goethe
After 75 years delivering cutting-edge executive development, IMD’s continued quest to increase the impact of leader development on performance led upstream. IMD expanded its research and focus to look for ways in which leaders could strengthen talent pipelines with leaders with the abilities to support sustained success in a dynamic world.

As we explored this space, IMD’s research revealed the opportunity for significant transformation in talent. Many of the prevalent approaches to talent identification, assessment and development did not appear to be working in today’s dynamic and evolving business environment.

Drawing on our research and practitioner insights, IMD has identified three key ways in which a ‘talent transformation’ is needed.

1. **Talent to transform organizations.** Talent is no longer about assessing fit against a linear role profile. Instead, the shape of roles today require leaders to master ambidexterity to deliver Dual Transformation.

2. **Talent that constantly transforms.** Talent today is not about the experiences leaders have accumulated: it is about how they continually harness, reshape and expand these experiences to address emergent challenges.

3. **Transforming talent.** In the talent discipline, the refrain of ‘talent scarcity’ has been the dominant mantra for decades. It’s time to take a more inclusive approach that capitalizes on the rich sources of talent available.
1. Talent to Transform Organizations

Talent practices need to build leadership capability to address the core challenge for business today – Dual Transformation.

Leaders must be equipped to simultaneously maximize value from current businesses while laying the foundations for new business models to address emerging opportunities and threats.

This means talent practices cannot be oriented towards linear or static leader profiles. Instead, talent pipelines need to be strengthened with leaders equipped for ongoing dual transformation. Our investigations suggest that only 12% of leadership talent have developed this talent today.

Focus on the Future

IMD’s research shows that talent development takes around 18 months to 36 months to fully pay off. That’s because fundamental shifts that enable the release of individual potential often operate at a deep level, while acquiring and adopting new knowledge and behaviors takes time to master and sustain. Therefore, the focus of talent development cannot be what is needed in roles today: instead, it needs to be inherently future-focused, equipping leaders with the capabilities they need to deliver and sustain success over the next two to five years.

Focus on Flexibility

IMD’s Future Ready Leader Performance Model, shown above, reflects the inherent contradictions in leadership roles. Leaders need to be able to move between Perform behaviors – focused on extracting value from business capabilities today – and Transform behaviors, which lay the foundations for sustained success through innovation in business models. That means that the definition of talent needs to encompass diametrically opposed dimensions – and the ability to move fluidly between these perspectives. Therefore, talent definitions are fundamentally dynamic, which has significant implications for talent practices.

Focus on Fluidity

In the past, researchers studying IQ focused on crystallized intelligence, which is knowledge coming from past experiences. As assessment technology developed, the focus shifted to fluid intelligence, which is capacity to solve and think logically about novel problems. A similar shift is required for all characteristics and capabilities used to define talent. Talent is not about what you know how to do today against a defined success profile: that is the focus of selection. Talent is about how you can enhance your abilities to address complex, emerging and novel business challenges, today and tomorrow.
1. Talent to Transform Organizations

So what does this mean at each stage of the talent pipeline?

NEAR TERM DEVELOPMENT

Focus on Future
Enabling leaders to build organizations and teams that are dynamic and constantly looking ahead

Research shows that leaders under pressure tend to focus on risk and the short-term. As you prepare leaders to assume your most senior (and most pressured) roles, the biggest dividend is achieved by equipping leaders for dual transformation, so they can deliver results today while building dynamic organizations that can sustain success over the longer term. For most leaders, this means strengthening their capabilities for scanning the horizon, identifying opportunities and making calculated bets for the future. It also means ensuring they are investing in capabilities and talent that will enable future success, even if that conflicts with some of the core strengths of the organization today.

MID-TERM DEVELOPMENT

Focus on Flexibility
Strengthening leader capabilities for both Perform and Transform and enabling them to refresh their identity.

Leaders in mid-career have often crystallized their leader identity based on the factors that supported their success in early career. Now is the time to refresh this identity to help leaders build on their authentic strengths while increasing their capacity to adapt and flex in the context of more complex role demands. Extending this fluidity to both their cognitive abilities, enabling them to move between perspectives quickly and effectively, and their behavioral choices is likely to yield the biggest payoff.

EARLY CAREER DEVELOPMENT

Focus on Fluidity
As they build their business know-how through targeted experiences, leaders at this stage can benefit from development to enhance their adaptability.

Leaders at this stage are typically still exploring and engaging in a range of experiences. Development focused on the talent engine of Accelerated Adaptation can equip them with the skills they need to harvest and harness knowledge and insight from these experiences to accelerate progress and lay the foundations for Flexibility and Future Focus in later career.
2. Talent that constantly transforms

The search for what makes a good leader has been ongoing for decades, with little success in defining the ‘recipe’ for great leadership. It has only been recently as analytical techniques have become more sophisticated that we have been able to identify the reason why: leader performance is inherently dynamic. Much like the atom, leader performance is the product of interactions between three key drivers in the context of changing situations.

IMD’s research suggests that leader performance is a product of the three variables shown on the opposite page. Like the atom, the components of the ‘nucleus’ of the individual are relatively static.

- **Motivation** is comprised of attributes, traits, preferences, motivators and derailers. Personality theory tells us that these are stable characteristics of an individual. They cannot be developed or changed: rather, they can be managed and harnessed.

- **Knowledge** includes the accumulated expertise, know-how and experience the leader has acquired. Knowledge can be a block to performance: if a leader doesn’t possess the requisite skills and know-how they need to bring their vision and purpose to fruition, they won’t be successful. Know-how is necessary for performance - but not sufficient for high performance as it has to be ‘activated’ by other factors.

IMD’s investigations suggest that the key factor for activation is what we call **Situational Judgement**. Situational Judgement is a dynamic factor that, like the electron in an atom, moves dynamically around the nucleus impacting on how the molecule behaves. Research suggests Situational Judgement can be broken down into four sub-factors, shown below. These broadly mirror the learning cycle, enabling accelerated learning and adaptation in the context of changing environments. Leaders primed to constantly learn and adapt to new environments deliver stronger financial performance (0.42) and enhanced non-financial performance on measures such as innovation, efficiency and job satisfaction (0.53).

- **Acuity** is the capacity to scan the horizon by drawing on a broad range of information sources and synthesize insights to anticipate likely trends or events
- **Agility** is the ability to look at insights and information from multiple perspectives in order to ensure a robust consideration of the situation
- **Adaptability** is the capacity to choose behaviors, strategies or actions based on what is needed, guided by insight rather than preference, habit or other factors
- **Audacity** is having the courage to step forward, to take the action and to move ahead in the context of ambiguity and uncertainty and under the glare of scrutiny from stakeholders

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2. Talent that constantly transforms

A dynamic and synergetic perspective on leader performance has a number of implications for talent.

- Linear models of performance correlation and prediction – which have been the dominant lens for over 100 years – become less useful. More complex analytics and models of performance are needed to enhance our ability to identify and development talent effectively.

- Past performance is less likely to predict future performance. In a rapidly changing environment, the ability of past performance to predict future success drops from an already mediocre 40% to as low as 15%. We must be less reliant on demonstrated experience and behaviors to identify talent, capitalizing on new technologies to generate predictive insight.

- It enables us to unlock the potential of individuals with greater precision. An understanding of how the factors interact and where development needs are greatest not only enables precision identification of what development is required, it enables this development to be personalized for maximum impact. Targeted development based on complex models of leader performance enables access to broader and more diverse talent pools with greater confidence.
The quotes above are a small selection of the dominant talent narrative today. The publication of ‘The War for Talent’ in 1997 created a fever pitch that focused and redoubled organizational efforts to identify these ‘elusive’ high potentials – apparently with little real impact over the past 25 years.

With a worldwide population of 7.8 billion, enhanced appreciation of diverse strengths, global mobility and better access to education than at any other point in human history we are living in an age of plentiful potential. With the apparent failure of prevalent talent management strategies to capitalize on this abundance, it is time to move away from ‘an elitist conceptualization of talent and talent management sustaining a narrative of scarcity and metaphor of war.’ A more human-centric inclusive approach unlocks rich diverse sources of talent, but requires us to think and act differently in the way we identify, assess and develop talent.

To strengthen talent pipelines to address business challenges doesn’t require a more exclusive approach to talent. It requires a more holistic lens.
3. Transformation of talent

An holistic approach to talent

An holistic approach to talent looks at the whole person, through multiple lenses, in the context of a complex and connected system. The synergetic lens on talent applies not only within the individual using the molecular model of talent, but also in understanding how the person responds to the environment around them.

**Know-How and Expertise:** accelerate the development of talent by providing leaders with a carefully targeted range of experiences and education, moving them from declarative knowledge (through education) to procedural knowledge (through application). Breadth of experience is directly correlated with ambidexterity, which supports dual transformation and a focus on the future.

**Identity and Motivation:** enhance self-awareness as the foundation for increased self-management, including an understanding of how leaders respond to different contexts (organizational, team, cultural, market, business, etc.), in terms of mindset and emotion. Self-Awareness and Self-Management are highly predictive of future success.

**Situational Judgement:** increase cognitive agility to develop eductive intelligence, and emotional intelligence to enhance leadership impact. These are the underlying components of strategic competencies, which enable leaders to drive change and focus on what is most important (Perform behaviours) and to address novel situations and complex challenges (Transform).
Innovation in talent assessment
How IMD is pushing the boundaries

Impact
Psychometric science has been unable to exceed 40% prediction of performance, even using multiple methods.

**IMD champions analytics and technology to increase the impact on performance.**

Holistic
46% of participants find filling in assessments frustrating and alienating. Many assessments feel disconnected from the individual’s work context.

**IMD encourages the use of latest technology to provide a person-centred experience.**

Personalized
Many tools need expert support to enable participants to understand and apply insights to their work. Assessments often don’t provide the 'so what.'

**IMD reinforces the value of personalized insights and personalized development.**

Precision insight with future focus
Normative tools are inherently backward looking. In a world characterized by dynamic change in roles and organizations, we need tools that look forward.

**IMD is driving the application of criterion-based assessment.**

Performance Focused
Linear models of leadership performance assume one size fits all and don’t account for the dynamic interactions between know-how, motivation and situational judgement.

**IMD’s research points to a dynamic model of performance, which increases predictive power.**

Our mission:
To challenge what is and imagine what could be in the field of talent
“We want to make sure that our talent program really does have an impact.”

This opening statement highlighted the organization’s frustration at their inability to pull through their investments in talent development to have a demonstrated impact on their pipeline and performance. We pinpointed two specific areas for focus.

1. Involving line managers and stakeholders to ensure they could support and reinforce new behaviors in practice. Line managers received individual coaching reports for each participant in the talent program and participated in regular briefing sessions throughout the program. This aligns with research that suggests that line managers are amongst the biggest factors in facilitating transfer of learning into practice at work.

2. Using simulation-based assessment tools grounded in the participant environment. This had two benefits. Firstly, it decreased the ‘noise’ associated with many talent assessments, enabling clearer focus on the things that really mattered. Secondly, participant engagement was much higher as the tools felt real and relevant and offered immediate learning and insights. This aligns with research that assessment tools with business relevance and higher fidelity produce better insights and offer an enhanced user experience.

“We want to develop the unique talents of our people, not promote ‘mini-me.’”

The stark realization that members of their talent pipeline had remarkably similar backgrounds caused this organization to rethink the way they defined talent. A carefully crafted talent profile used to select talent pools was firmly rooted in the factors that had fuelled the organization’s dominance in its field over its long history. The profile also highlighted the values necessary to ensure ‘fit’ with the organization and its culture.

However, this strong culture now had a stranglehold on the company’s ability to innovate and reinvent itself in response to a dynamic and rapidly-changing commercial environment. The company embarked on a bold ‘experiment’: to recruit talent with a focus on future business needs and to place them in pivotal roles where an injection of new thinking and new energy was sorely needed. They identified four core values that were ‘non-negotiable’ but agreed to vary on other aspects of the traditional profile.

This audacious experiment was successful because the talent program was designed holistically to support these ‘different’ leaders.

1. Senior leaders provided mentoring to the individuals and continually reinforced messages about the value these new talents were bringing
2. A data-driven talent development program was based on assessment data gathered on business know-how, motivation and situational judgement, to shape both the what and how of development for maximum impact
3. Facilitating mobility of ‘new’ talent in new business areas most impacted by change, where there was the clearest imperative for different thinking

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Be part of the dialogue

Come and join the discussion with IMD’s Strategic Talent Development team.
If you want more details on the research behind our approach, we would love to provide you with our research briefs, which provide the evidence behind our assertions.