



ORGANIZATIONAL PERFORMANCE

Big data and talent management: Using hard data to make the soft stuff easy

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Abstract Our increasing capacity to collect, store, and analyze large volumes of data has changed the way in which organizational decision makers approach their work. The ability to accurately quantify variables that previously had been assigned to the gut instinct of grizzled veterans or subject to the wisdom of sages for interpretation can now be more objectively understood. The implications for organizational performance are clear: better data and better decisions yield better performance. In many functions, like marketing, this capability has resulted in a true revolution in how companies come to understand and most profitably serve customers. Other areas, such as talent management, have lagged behind in this regard. This is largely due to the fact that many of the relevant variables (e.g., personality) are difficult to measure. It is also because the relationship between these variables and organizational performance is not entirely understood. Recent developments regarding how we understand and then link individual characteristics and performance are enabling a data revolution in the area of talent management. Herein, we offer three examples that illustrate how data can now be used to improve talent management decisions and, ultimately, organizational performance.

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1. From data come solutions

Making sound decisions in the area of talent management is difficult because decision makers typically have little or inadequate data from which to confidently draw conclusions regarding which individual best fits any given opportunity. Frustrated,

decision makers come to accept that they must trust their intuition and that experience will be sufficient to find the optimal solution. Data—and the wherewithal to properly leverage it—means that no longer needs to be the case (McAfee & Brynjolfsson, 2012). Talent management decisions are not only hard, but also costly when poorly made. When companies invest in either the wrong people or the wrong programs, destined-to-fail teams are assembled and talent management efforts are ultimately eroded. In such scenarios, organizational performance is certain to suffer. Herein, we offer three examples

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that show how the adoption and savvy use of a data-driven talent appraisal system (TAS) helps leaders make better talent management decisions. After all, data is increasingly being used to revolutionize decision making in other functional areas (Malthouse, Haenlein, Skiera, Wege, & Zhang, 2013; Payne & Frow, 2005); shouldn't the same be possible in the area of talent management? Our illustrations show how good data can help leaders protect and enhance organizational performance by improving the quality of talent management decisions.

What has happened to make a data revolution possible in talent management? Over the past several years, vast improvements have occurred in how we understand, measure, and categorize both personality traits and cognitive abilities. Since these individual characteristics do not appreciably change with training, coaching, or incentives, it is critical to identify and understand them when making decisions about who to hire, train, or promote. If a person does not have the cognitive abilities and personality traits suited to a particular role, then even with a great attitude and necessary learned skills they are unlikely to be successful. And if a team does not possess the right distribution of these traits and abilities to accomplish its charge, then its performance is at risk.

So how should valid, rigorous, and relevant data change decision making around talent management? Following are three examples that show how companies in a range of industries have found a way to collect, analyze, and interpret data in a manner that drastically improved the quality of talent management decisions and, ultimately, organizational performance.

2. Failing to harness the power of an all-star team

Our first example focuses on a premier professional services firm that we will call ServiceCo. The firm was rolling out a new line of business that promised to be extremely lucrative and, if successfully launched, would position the firm as the industry thought leader. The new line of business was to be managed by a partner we will call Patrick. Because the initiative was so critical, Patrick was given carte blanche to recruit the best talent from across the firm. With his exciting charge and these considerable resources, Patrick moved quickly to select his dream team of 21 professionals, each a top performer and expert in their field.

Recognizing that each engagement would require different sets of expertise, Patrick envisioned the creation of small teams composed of precisely

the right specialists for the engagement at hand. These specialists would work closely with one another to help the client define problems, and then lead ServiceCo's efforts to design an approach and deliver a solution. Once the engagement was completed, the team would disband and each specialist would return to the bench until needed for the next assignment.

The success of this strategy hinged on the ability of each individual to contribute quickly and effectively within a highly collaborative team structure. Patrick assumed that brilliant and experienced professionals could do so because they would recognize it as necessary in order to complete the work and because everyone's incentives were aligned.

Despite abundant prospects and proven market acceptance of the service offering, the dream team achieved just 30% of its revenue goal the first year. How did Patrick initially explain this poor performance? Clearly, the talent was insufficiently trained on the team concept. ServiceCo's human resource department was quickly engaged and a well-executed series of quality training sessions was conducted, focused on the importance of 'teaming.' Teaming banners were hung, teaming buttons were handed out, and teaming terminology was prominently inserted into corporate communications. In case that was not enough, a special retreat was held, featuring a retired NFL quarterback, to emphasize the importance of teamwork to winning championships. Despite these efforts, the number of engagements captured by Patrick's team remained far below expectations. And those engagements that were undertaken seemed to be plagued with delays, conflict, and other frustrations.

After this second false start, an acquaintance suggested to Patrick that perhaps the challenge had to do with who was on the team. Perhaps, they opined, by better understanding each team member's makeup, a real solution might emerge. Patrick sought out a vendor with a diagnostic tool that could collect data to describe the team members and possibly shed light on reasons for the disappointing results. Team members completed a specialized online assessment that offered a psychometrically valid look at the individuals trying so unsuccessfully to function as a team. The upper portion of Table 1 reports the distribution of team members on the three particular characteristics of most relevance to the teaming challenge. The shaded areas in the table indicate the desired levels of each characteristic; ideally, each member's results should place them in one of the shaded areas. Then, the numbers report where the data indicate each team member actually was.

Not surprisingly, the cognitive ability of team members was quite high. Of the 21 individuals, 19 were at or above the 90th percentile in cognitive

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