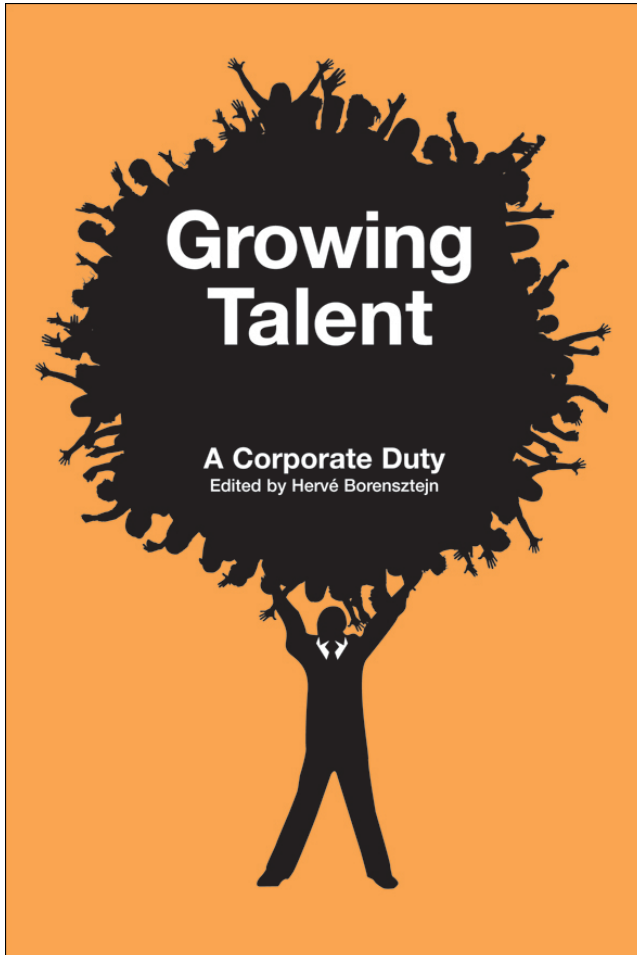# Talent Management in the Creative Age

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Talent management in the creative age

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Summary

Today's practice of talent management focuses on identifying, recruiting, developing, placing and retaining people who are key to the competitive success of the company. This perspective, which regards talent as an asset that needs to be controlled by the corporation, reveals its limitations in the age of globally networked organizations. The increasing importance of the creative class with its distinctive motivational patterns, and the diminishing loyalties between employer and employees, require talent management approaches that reach far beyond the current paradigm. A new and broader practice needs to think and act beyond HR and address issues such as organizational design, managing key talent clusters outside the organization, branding and reputation management, and more. This chapter analyses the drivers that make creative competence a critical success factor for competing in the 21st century and discusses the managerial challenges that come with it.

Introduction

In his 2003 landmark book *The Rise of the Creative Class*, Richard Florida, a regional development economist, makes a convincing point about the growing importance of creative talent in an increasingly knowledge-based economy (Florida, 2003). According to his definition, the creative class includes not only the world of traditional artists (writers, painters, actors, musicians, entertainers, etc., whom Florida calls the "bohemians") but everybody for whom creativity or intellectual work is an essential element of his or her personal and professional life.

It includes all types of knowledge workers, who produce or deal with ideas and intellectual capital, such as software developers, advertisers, designers, architects, engineers, scientists, inventors, consultants, educators, and many more. Florida estimates that about 30 per cent of the workforce of the Western world are members of this class today, and that their proportion is rapidly rising.

Florida moves on to make the argument that this class is attracted by an environment of tolerance, diversity and other aspects enriching the quality of life. He then provides ratings of cities and regions that satisfy these criteria, and draws conclusions for regional development policies to attract creative industries – which he regards as the industries of the future.

Florida's thinking provides interesting stimuli for the practice of talent management, especially if we extend his definition of the creative class to include also entrepreneurs and anybody who has a leadership responsibility in today's complex, globally networked organizations.[1] Practically all the talent that corporations chase and try to retain – leaders, technical experts, scientists, innovative thinkers, etc. – belong to this demography. The creative class is what the war for talent is about.

There is another important reason to take a closer look at the issue of talent and creativity: in a certainly not coincidental convergence with the "rise of the creative class", we have concurrently witnessed the "rise of creative competence" as one of the most important ingredients for effective leadership in organizations small and large. A brief look at the influential management literature of the last twenty years provides ample evidence that we are in the midst of a major paradigm shift that shatters the foundations of traditional management science and moves creativity to centre stage. Much of the debate addresses the changing theory and practice of strategic and organizational management in the context of new realities that challenge today's complex globally networked enterprises, especially when it comes to strategic innovation management, organizational design competence, talent management, and the leadership culture required to deal with these challenges.

Here are some key arguments that make the case for an ever more prominent role for creative competence as a key success factor for the corporation of the 21st century.

Today's strategic management is more an art than a science

We live in extremely turbulent times, with a high degree of unpredictability and constant surprise, and an ever accelerating rate of technological and environmental change. In this world, there are

painful limits to the usefulness of the traditional paradigm of strategic planning, with its rational-analytical approach of market analysis, trend extrapolations, and its efforts to predict the future.[2] Such a practice made sense in relatively stable and slow-moving environments, but it becomes quickly dysfunctional when carefully drafted plans are nearly obsolete the minute they are jotted down on paper.

What is needed instead is a continuous strategic learning process that pervades the entire organization, including all relevant stakeholders in the enlarged enterprise system. Rather than locking up the strategic discourse in smoke-filled rooms of secretive strategy departments, accessible only to the CEO and a selected trusted few, today's strategic management requires institutionalized creative dialogue across boundaries. Strategy means opening up new opportunity spaces and redefining the rules of the game rather than trying to play a better game within the existing mental boundaries of current industry paradigms.[3] Strategic leadership is now an incredibly creative challenge, and the strategy process requires creativity to look at the world from every level of the organization.

Organizational design is the key to sustaining competitiveness

Traditional organizations with their emphasis on bureaucracy, central control and functional silos, and their obsession with formalization of everything, are not well designed to compete in the flat world of the 21st century. In light of the ongoing strategic innovation challenge, today's companies need the ability to design and nurture a comprehensive, boundary-spanning culture of ongoing organizational learning that emphasizes high performance and reinvention alike. They need to institutionalize enabling structures, mechanisms, processes and policies that drive and support a culture of creative dialogue and experimentation, allowing for agility, playfulness and fast and flexible strategic responses. They need organizational cornerstones that help mitigate unavoidable disruptions

and discontinuities with creativity, courage and intuition, on a just-in-time basis and with a minimum of bureaucracy, allowing for seamless collaboration across internal and external boundaries. Those who organize best for these challenges will win in the market – and also in the war for talent.

Designing and leading such organizations requires a different mindset, one not rooted in a mechanistic understanding of command and control that relies on the power granted to executives by hierarchy only. "Competing by (organizational) design" (Nadler and Tushman, 1997) requires leaders who approach their tasks with the skill of great architects, who have a deep understanding of enabling structures, processes, mechanisms and culture, and who are able to create elegant designs and implement them across the entire value net.[4] This requires creativity, the ability to "trust the process" and diplomatic skills. Other than physical structures, organizations and their value network are complex social and economic systems, and leaders depend on the talent within and outside their organizations to make them work. Enabling social network management, trust and horizontal relationship management play a central role in this equation. They become the essence of indirect talent management.

Innovation is king – but a king that needs to be managed

There is hardly a company remaining that does not regard the ability to ensure sustainable innovation as one of the decisive competences for its long-term survival. But as with the paradigm shift in strategic and organizational management, the definition of innovation competence is also rapidly changing. Until recently, the dominant discourse on innovation focused primarily on *product* innovation, measured by the number of new products and patents filed, typically a domain of R&D. But products are just a small part of the innovation challenge. The best and most innovative product

development cannot compensate for slow and sclerotic bureaucracies inside silo cultures that are unable to collaborate effectively in the new horizontal "flat world" of global value nets (Hagel and Brown, 2005).

We need a more comprehensive view of what true innovation capability means, one that emphasizes the importance of organizational design innovation and business model innovation, together with the overall leadership capability to manage this set of innovation elements in an integrative way. Under such a perspective, virtually every employee of an organization – plus the company's relevant stakeholder network – becomes a part of the innovation process, part of an ongoing discourse about the way things are done. This comprehensive innovation imperative requires from its participants a certain kind of talent: people who are willing to engage in collaborative networks beyond the boundaries of their organization, people with a creative spirit who can think laterally and who have the cognitive and emotional ability to challenge the status quo – traits that we find primarily in the creative class.

Design and brand are the true differentiators

The importance of product quality as the major competitive differentiator is rapidly decreasing, as even complex products turn quickly into commodities, and high quality and reliability have become just tickets for market entry. The globally networked corporation of the 21st century outsources and offshores value-chain segments that are easy to imitate to low-cost countries such as China, India or those of eastern Europe. What remains, though, is the complex task of orchestrating the many elements of a globally distributed value net of strategic partners and alliances, and to create differentiation through design, branding, reputation management and sophisticated customer engagement strategies. As the importance of intangible product attributes increases, so does the role of creativity and intangible asset management as a core competence of organizations and their people.

Creative talent – and its appropriate management – makes all the difference

All of the above means that much of the responsibility for thinking and acting strategically can no longer be restricted to the very senior echelon of the firm, and innovation reaches way beyond the boundaries of R&D. The imperative for organizational learning and innovation needs to spread throughout the horizontal and vertical layers of a corporation and include not only most employees but also the "extended enterprise", i.e. the relevant value net of customers, suppliers, partners, alliances, regulators and other stakeholders. Together with the increasing importance of knowledge work and creativity as a critical strategic resource of the corporation, this paradigm shift requires a radical rethinking of the traditional concepts of talent management. Members of the "creative class" – no matter whether they are entrepreneurs, leaders, scientists, software engineers, designers or others – are typically highly qualified people. They are smart, self-reliant and motivated by the opportunity to live their dreams and realize their potential. They need an enabling environment to thrive, and their potential unfolds best in a creative, flexible, non-bureaucratic culture, not in traditional hierarchies with traditional managerial control. A distinctive ability to attract and lead creative talent, in a sustainable fashion – both within and outside the boundaries of the firm – is now what creates the decisive competitive advantage.

In light of the above, companies need to learn a lot – and on many concurrent fronts. They need to develop a *comprehensive* approach to deal with the creative challenge, an approach that alters the way they strategize, the way they organize, the way they reach out to the world, and the way they deal with human capital. The new realities demand a strategy process based on continuous discourse and learning, together with the entire relevant stakeholder universe. They require new organizational designs that encourage and enable the effective nurturing of formal and informal networks – both within and beyond the boundaries of the corporation.

They demand a new culture of leadership that is able to lead in horizontal, non-hierarchical relationships without hierarchical power and control. They demand leaders who can deal effectively with the famously difficult egos of creative and independent spirits, both keeping them in check while at the same time nurturing and developing their potential, supporting their aspirations, and respecting their common desire for independence. The new realities require the ability to continuously develop, test and implement innovative strategies and business models without losing the ground below our feet.

These are major challenges in a corporate world that by and large still embraces the Tayloristic paradigm of "Scientific Management", with its mechanistic and linear thinking, driven by numbers, measurable KPIs and an obsession to plan and control. The world of creativity embraces a very different mindset, which is hard to marry with the above. The creative class cherishes subjectivity, freedom and self-realization, and the pursuit of intangible values that are worth living and even fighting for. Creative talent embraces playfulness and continuous reinvention. They are at their best when they transcend existing rules and limitations – traits that are almost all in sharp contrast to the traditional business school curriculum. Even the *Harvard Business Review* announced a few years ago that "The MFA [Master of Fine Arts] is the new MBA", joining a growing choir of prominent management scholars who bemoan the lopsided ideology of business school education and research (Mintzberg, 2004; Ghoshal, 2005; Bennis and O'Toole, 2005).

This situation is good and bad news for the practice of talent management, which has evolved to greater prominence since McKinsey coined the phrase "the War on Talent" (Chambers, 1998). The good news is the growing recognition of the strategic importance of the practice, at least judging from the lip-service top executives are now willing to give it. The bad news is that the prevailing mindset of the practice and the toolkit that comes with it are by and large still buried in the traditional mechanistic and self-centred paradigm of

organizations, with their abundance of formalized processes, elaborated instruments and an HR mentality that focuses on people issues without connecting them to the above-mentioned strategic innovation and organizational design issues.

The practice of talent management has developed a sophisticated (and in many cases an overly sophisticated) set of tools and systems that rely on competency models, performance management, learning and development architectures, and more. A gigantic army of HR professionals and consultants make their living in supporting these systems. Executive search, coaching, training and leadership development are each multibillion industries, in perfect collusion with the current business model of traditional HR. Unfortunately, this business model has severe limitations and is only partially suited to the challenges of the new realities. Here is why:

- Talent management is largely perceived as a people issue rather than an organizational issue, which leads to a largely restricted practice within the silo of HR.

- Today's talent management practice focuses entirely on current and future employees of the company (the talent a company "owns" and can control), and it ignores the abundance of talent that remains outside the organization.

- While the practice recognizes the importance of company branding and reputation for attracting and retaining talent, it has little influence in managing these success factors.

- Talent management sees for itself currently no role in helping create regional attractiveness for the creative class, which would enlarge the overall available talent pool.

Let us look at these shortcomings in more detail.

Challenge 1: Talent management needs to have a strong voice in organizational design

If we accept that great talent needs a great corporate environment to thrive, it is a severe shortcoming that the current practice of talent management has practically no influence in designing the organizational context. But without having at least a strong voice in actively shaping the design of the organization to fit the requirements of the creative age, much of the effort of attracting and retaining is in vain. The best talent management system will fail if an organization is unable to address the structural and cultural elements that make large organizations often so unattractive for the best and brightest.

A great example of the destructive power of context is mergers and acquisitions, where often the best talent from the acquired company leaves because of unbearable context variables, and much of the intellectual capital of the acquisition – usually more valuable than its hard assets – gets destroyed (Deiser, 1994).

The emergence of employee engagement (EE) as a key practice for talent management may help address some of these issues, but the EE approach is also primarily people and relationship oriented and stresses inspirational leadership, team development and other motivational factors, most on the behavioural rather than the structural side (e.g. very recently Croston, 2008).

Challenge 2: Talent management needs to reach out beyond the boundaries of the firm

With the exception of recruiting, virtually all activities of the talent function are focused on the talent that companies "own". This becomes problematic when a significant part of a company's value creation happens through the dynamic interplay of the globally distributed players that constitute a company's value net. Corporate

talent management rarely reaches out actively to include customers, suppliers and other partners in their efforts, and neither do they allow their partners to get involved.

Even if a company manages to attract, develop and retain the best talent, it remains at the mercy of the capabilities of its value-net members. A poor talent situation at a company's key suppliers, customers and complementing partners – whether it be a lack of capable leaders, lack of expertise, high employee turnover or poor morale – reflects badly on its own ability to perform in the marketplace. Instead of hoarding the best talent, smart companies should also have the urge to place the best possible talent into the players that constitute their strategic network. They need to develop intelligence about their partners' talent situation, and to help their partners in maximizing their talent utilization without secretly working to steal the best away.

Joint learning architectures across the value chain, such as consortia leadership programmes, customer training initiatives or boundary-spanning communities of practice, can play an important role here. They are a great way to get to know partners in the value net, influence their level of excellence, improve collaboration, and strengthen the relationship as a whole. Naturally, this requires mutual trust and a perspective that appreciates and understands the overall system rather than adopting a defensive stance as regards one's own corporation. As in business strategy, the war for talent today is fought in "coopetition", and so we need to develop a trans-organizational talent management practice that mirrors the new realities of globally networked value creation clusters.

Challenge 3: Talent management needs to deal with those who refuse to join

Today much money and effort are invested in recruiting the best and brightest, and in developing and nurturing those who get

selected. But what about great talent that cannot be recruited, for whatever reason? All signs indicate that this is a growing share of the attractive talent population. Like it or not, the rise of the creative class means that we also witness a significant (and growing) number of great people who may never join a corporation, who prefer to remain free agents, with limited loyalty to a single organization. It is appalling to see how little consideration, and even less systematic effort, is devoted to dealing with talent that refuses a formal employee contract, even if their potential contribution is easily recognizable.

The sobering fact is that limiting the talent pool to those who are willing to work within the boundaries of a corporation will increasingly leave out the most creative and entrepreneurial people. Today's talent management is obsessed with how to attract and retain the new millennial generation. It is obsessed with "owning" talent, and with its internal systems to groom it and maximize its performance – only to see it leave if the company's culture is not up to par. Instead of trying to desperately attract and keep such evasive talent, companies need to learn how to best access and utilize talent that will never sign a traditional contract.

Unfortunately, today's conceptual framework and practice toolkit is set up only for talent a company can control, and little is currently available to address this challenge. What is required is *institutional* mechanisms that serve this typically diffuse, fragmented and hard-to-manage talent population. Such mechanisms need to follow a very different logic; they cannot be controlled by a single organization but are an infrastructural element of the "free talent space".

In this context, it is worthwhile to study the way Hollywood manages creative talent *as an industry*. The entertainment industry must constantly deal with a highly fragmented pool of independent actors, directors, writers and producers who come together for a temporary project. The industry deals with this challenge through an institutional infrastructure for "non-organizational" talent

management that has evolved naturally over time. It includes a whole sub-segment that caters to talent – casting agencies, talent agencies, lawyers, managers, guilds and more. It also includes mechanisms such as the credit system, which plays a major role in recognizing talent while building its individual brand equity, or award ceremonies that celebrate and reinforce the identity of an industry where most of the talent has no corporate business card with a prestigious title to affirm their social status. Learning and development happen through apprenticeship and networking. Relationship management is everything. In a nutshell, Hollywood represents the new paradigm for talent management in the creative age.

Challenge 4: Managing alumni talent relationships

The focus on dealing with talent only for the purpose of "owning" it is also reflected in the fact that most companies forget about their talent once it has left the company. Losing great talent is regarded by most firms as a major setback, and few recognize the opportunities that remain even in a possibly changed relationship. Usually it is rather hard feelings than warm memories which remain – on both sides. But it is an illusion to believe that the best of the creative class can be retained for ever. We know that many of them are people who like to reinvent themselves, try out new things, change contexts and escape the treadmill of corporate life. Or, sometimes, there are circumstances that may require laying off great people. Just shaking hands and kissing these resources goodbye is a very shortsighted, albeit universal, practice.

Some smart companies, such as GE, Goldman Sachs or McKinsey, have turned the leaving of talent into an asset. GE, for instance, has been famous for producing more leaders through their talent management efforts than the company needs. Many of the leaders who leave take senior positions in companies that belong to the value net of GE, strengthening GE's relationships and improving

the overall performance and cohesion of the network. More famous even is the alumni network of McKinsey. Consulting firms are paradigmatic for the creative class. As the business model of most consulting firms requires a certain ratio between partners, project managers and analysts, they deploy an up-or-out policy for their talent. McKinsey is probably best in turning this systemic drain of talent into a competitive advantage by placing its "alumni" in senior executive positions at clients, with all the obvious resulting advantages in terms of relationship and trust – the key assets of professional service firms. The art of "Enlarged System Talent Management" makes McKinsey the envy of much of its competition. It should serve as a model for every corporation.

Challenge 5: Managing trust and brand reputation

The examples of GE and McKinsey have one thing in common: both are shining leaders of their industry, with a great reputation and brand. They are masters at building trusted relationships across their organizational boundaries, thus strengthening their overall position in the value web. They clearly illustrate the role of effective trust and reputation management as a key task for comprehensive talent management.

We know that branding and reputation are key attractors for the creative class. Its members honour authentic corporate responsibility and reputation for excellence in specific fields. Great talents are typically interested in creating a name and a reputation for themselves; working for a great brand such as GE, McKinsey, Apple, Google, or a cool start-up rubs off and supports their needs, which may be regarded as narcissistic, but are the basis for their employability – which is nothing else than the basis for their relative freedom.

Further, as important as branding and reputation are trust and relationship capital. They are the currency of a networked economy that is less and less susceptible to command and control. While financial incentives remain important for most, strong relationships

and trust create a commitment beyond the economic contract. If creative talent identifies with a vision (or, even better, can utilize the organization in pursuing its own dream), and it has a great and trusting relationship to key stakeholders of the organization, it will become a committed partner, with or without an employment contract. Great examples are major movie stars who sometimes forgo their $20 million fee for an inspiring project that connects with their values and dreams, and which is produced by someone they know and trust, and with a crew they love to work with.[5]

The conventional toolkit of talent management has little to offer here. While there is a clear awareness of the importance of branding and reputation, there is usually no structured connection to functions that have a responsibility to address these issues, such as marketing, public relations or CSR. At the same time, these functions usually lack the talent perspective that is inherent in these issues, so it is hard to orchestrate integrated initiatives.

Challenge 6: Managing the attractiveness of strategic locations

We know from Richard Florida's work that the creative class is attracted by spaces with a high quality of life, where it finds tolerance and diversity, and a large group of peers who share these values. Attractive locations draw talent and the presence of diverse talent makes locations attractive in return. Today, the development of regional advantages is a traditional political function, and to attract corporations, regions advertise the quality of their talent and the quality of life together with tax incentives and subsidies. But the responsibility for creating an attractive regional environment in which creative talent loves to live and can thrive should not be left blindly to the local political system.

Comprehensive talent management of the creative class needs to be more tightly linked to how the corporation shapes and contributes

to the social and political community it is part of. It requires the creation of attractive contexts not only within the firm but also outside it, in the social, political and cultural environment of the company's strategic locations. Companies can gain a significant advantage in actively shaping their talent environment by sponsoring educational, social, cultural and other infrastructural initiatives that foster clusters of creativity and innovation beyond the boundaries of the firm, benefiting the entire region. These open up a great opportunity for meaningful corporate citizenship, branding and reputation, and indirect talent attraction management, increasing the available talent pool for everybody in the region.[6]

Some companies are addressing a small fraction of this opportunity by sponsoring educational and/or scientific programmes at universities in regions they invest in.[7] While this provides early access to talent for recruitment, and it strengthens the overall talent pool of the region, it does little to improve the overall attractiveness index of the region.

Conclusion

Talent management in the creative age is an inter-organizational, multidimensional process in which the traditional tools of HR and organizational development represent only a small part of the equation. Comprehensive Human Capital Management is also a strategic and organizational management practice, as it transcends the conventional boundaries of an organization and must include the ability to deal with cross-boundary networks and with independent free agent talent. The responsibility for people does not start with hiring and end with firing. As important are context nurturing mechanisms that assure a positively branded relationship with key talent before and after their tenure at the company, and mechanisms that create general attractiveness and sustainable relationships with key talent that prefers to remain outside.