



TALENT—AT WHAT COST?

BY JANICE MOLLOY

"In the modern corporation, the system is considered only as strong as its stars."

—"The Talent Myth: Are Smart People Overrated?"
by Malcolm Gladwell, *The New Yorker*, July 22, 2002

Court the brightest college and business-school graduates, compensate them beyond their wildest dreams, promote them at every opportunity, let them pursue projects that pique their interest, and step out of the way. A surefire recipe for success, right? Not necessarily. According to business author Malcolm Gladwell, the relentless pursuit of talent may have contributed to Enron's notorious collapse last year—and a misguided set of priorities throughout the corporate world today.

The Star Culture

As advised by McKinsey & Company, the U.S.'s top management-consulting

firm, Enron developed a culture that worshipped up-and-coming stars. As former chairman and CEO Kenneth Lay put it, "The only thing that differentiates Enron from our competitors is our people, our talent." At its peak, the company hired droves of new MBAs each year from among the top students at the country's leading business schools.

Company management gave these academic overachievers great latitude in creating roles for themselves within the company. The result was that projects sprang up, not because they fit into the company's overall strategy, but because they engaged a star's interest—even if that individual wasn't the best person for the job. Someone deemed "talented" could quickly leap up the corporate ladder, frequently changing positions along the way. This kind of career mobility made assessing performance—rather than focusing on innate intelligence or responding to personality traits—virtually impossible.

Nevertheless, how could a company go wrong by hiring and promoting based on smarts? After all, today's business environment demands that companies innovate faster than their competitors in every facet of the organization. Conventional wisdom holds that artistic accomplishments and scientific breakthroughs come from moments of individual inspiration rather than from group think. So why wouldn't a company that caters to genius

trounce those that don't?

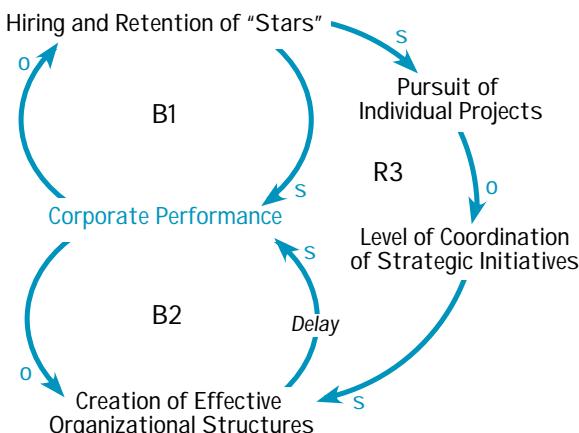
For one thing, as Gladwell says, "the link between, say, I.Q. and job performance is distinctly underwhelming." Success in the classroom doesn't automatically translate to success in the workplace—more than knowing facts and figures, the most effective workers understand how to interact with others in productive ways. Equally important, a strategy of building an organization around the talent and whims of top-tier employees is doomed to fail because it serves to optimize the *parts* at the expense of the *whole* (see "Trade-offs for Talent"). For example, when one executive launched Enron's global broadband unit, he invited the company's top 100 performers to a recruitment fair. By the end of the week, he had hired 50 of those employees, leaving 50 positions to fill elsewhere in the company. According to Gladwell, "Nobody . . . seemed worried that those 50 holes might disrupt the functioning of the affected departments, that stability in a firm's existing businesses might be a good thing, that the self-fulfillment of Enron's star employees might possibly be in conflict with the best interests of the firm as a whole." Instead, management reveled in the executive's entrepreneurial zeal.

Smart Organizations

Based on the Enron debacle and other high-profile corporate failures, some are beginning to question the emphasis on talent at any cost. Gladwell cites Southwest Airlines, Wal-Mart, and Procter & Gamble as examples of companies that have been remarkably successful by shunning the star system. These companies hire workers not for their credentials and charisma, but for their ability to con-

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TRADE-OFFS FOR TALENT



Enron and other companies rely on "talent" to drive corporate performance (B1). This approach may work over the short term, but it can undermine the creation of effective organizational structures, which are a more reliable source of lasting success (B2). As star employees pursue their interests without regard for the overall company strategy, organizational structures erode (R3).

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tribute to an overall effort. They reward employees not with astonishing bonuses and glamorous assignments, but with the knowledge that they are creating value for them-

selves, their customers, and their stockholders. They built structures that bring individuals together in ways that make the organization *more* than the sum of its parts and that bring out the best in *all* employees,

not just the cream of the crop. For when the system is the star, *everyone* benefits. □

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