



BY DAVID COHEN
For Workplace News

Leadership Edge

As a new grandfather and an executive consultant, the recall of toys made in China hit me on several levels. Mattel was not alone in being blindsided by the shoddy practices of its overseas suppliers.

We live in a globalized economy, and many companies have made the decision to outsource the production of even their most distinctive products. But what does this say about how those companies view their brands, their customers, and even their people. Does gold always weigh more than values?

I would speculate that Mattel made the decision to outsource based on calculations of ROI. Using cheap labor in an unregulated environment meant more profit for the bottom line. But did they calculate the risk in terms of a scenario in which millions of toys got recalled? To me, this wasn't about toys, or strategy, or economics — it was about people.

Did Mattel hire the workers who made the defective products?

Did they groom the management team that made the decision to use glossy lead paint? Did they consider the impact of having outsiders take over their core business? The fallout might have been prevented if they'd determined the competencies and values required by the employees needed to do Mattel work, then hired or outsourced accordingly.

Just as they take the risk to outsource manufacturing, companies are just as guilty of outsourcing talent management. Human resources should be an integrated decision-maker in strategy. The capability to deliver on any strategic plan depends on the people required to do it. Relocation of operations to areas with abundant cheap labor might mean the local population does not have the talent resources to meet your needs.

How does that impact quality or safety? Understanding those consequences, a leader might decide the ROI of producing at home makes more sense; or perhaps, that employees overseas need to be selected and trained according to the same standards that make the firm successful everywhere else.

Too often, however, human resources does not sit at the executive table, and talent management is a tool that

CEOs and top executives have no sense of ownership over. Too many see talent management as just a glossy (lead paint) makeover of traditional staffing. They don't see talent management as the long-term development of high performers into leadership gold.

When making a strategic decision that involves people, here are some thoughts to consider. Your talent-management system must be based on your organization's cultural DNA to be meaningful. Your organization also must:

1. Use performance reviews only to assess current level of performance, not as a means of bumping someone up to a level they might not be capable of filling.
2. Be genuinely representative of your employee population at the executive levels. If your top ranks are white-male dominant, your employees will recognize their limits.
3. Promote only those who fit the competencies of the job they will be taking.
4. Assess on-the-job training as part of the qualifications on par with outside experiences and education.
5. Avoid "time-served" as a rationale for promotion.

6. Use feedback that is not corrupted by being inflated by the pressures of promotion or pay-for-performance.

7. Ensure that the values embedded in competencies are genuine, and not offered as lip service when actual values hold greater influence.

As I travel around the world, every company in every region has a desire to be an employer of choice in which talent management drives long-term success. Few, however, understand the idea that the only asset you can't control is the human asset. Equipment will stay in place over night, but human capital walks out the door in the evening and may not return to work the next morning.

People, unlike machines, have an understanding of when they are being treated fairly or with respect. They may not understand the complicated economics of outsourcing, but they understand when work is being done according to the firm's living values. Executives often prefer to deal with the sexy details of strategy and asset allocation. They like to make big decisions that make bold statements to Wall Street.

Caring about people is much more day-to-day and under appreciated. It's a bit like taking the time to nurture and care for a child or grandchild. We undervalue those actions in society, even though the long-term economic repercussions are incalculably large.

When a leader does not consider who will be executing a strategy, or whether those people have the genuine skills and values to do the job right, he is making a decision that is

all show and no substance. He may as well outsource his own office, too.

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• *The Talent Edge: A Behavioral Approach to Hiring, Developing, and Keeping Top Performers (John Wiley and Sons, August, 2001)*

• *Inside the Box: Leading With Corporate Values to Drive Sustained Business Success (Jossey-Bass August 2006)*

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