



# Insight Center Leading Innovation

**New and counterintuitive ideas  
about generating innovation,  
drawing on viewpoints from top  
management thinkers.**

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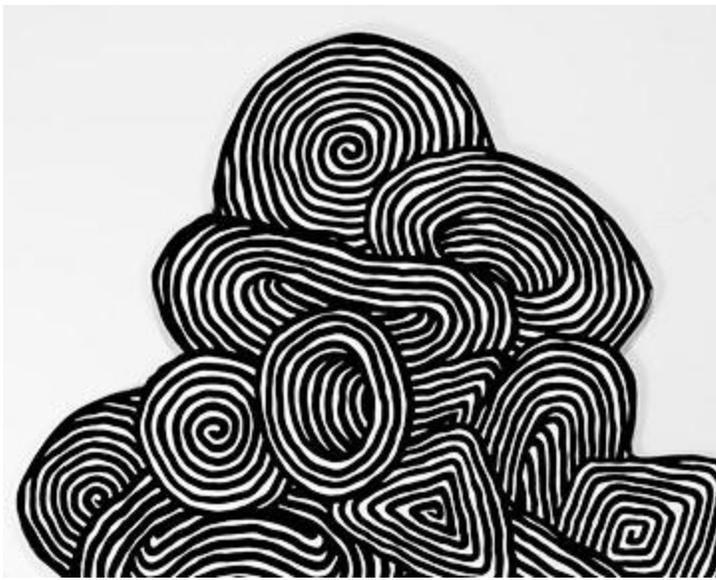
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ARTWORK: FREEGUMS, SPACIAL TENSION, 2011, ACRYLIC ON WOOD, 55" X 44"

Founded 25 years ago by eight partners, BlackRock, the world's largest asset management firm, rewrote the playbook in financial services. While many of its peers were stumbling and retrenching in the aftermath of the 2008 recession, BlackRock was charting a course for growth. Its revenue, profits, and stock price all performed consistently during that tumultuous period.

What interests us is that the company continues to excel. It has a palpable sense of pride—a buzz. But what makes it different? BlackRock is driven by an explicit and concrete mission: “To create a better financial future for our clients.” It excels at commercializing innovation. Its technology platform, Aladdin (Asset Liability and Debt & Derivative Investment Network), boasts the world's most sophisticated risk-analytics capabilities combined with superior functionality in portfolio administration, trading, and data control and operations. BlackRock is maniacally focused on delivering high performance, and its leaders say they are proud that the firm's 11,000-plus professionals abide by its four guiding principles: to be fiduciaries to its clients, to be passionate about performance, to be innovators, and to be “one BlackRock.”

We looked at BlackRock and two other companies that have reshaped their respective industries—one Indian and one Chinese (see sidebars)—and found significant commonalities. Although these companies vary widely in scope, scale, and maturity, they demonstrate the essential attributes of a game-changing organization: They are *purpose-driven*, *performance-oriented*, and *principles-led*. And in the process of conducting interviews at these companies, we discovered a thread that weaves them even more tightly together: All three have superior talent strategies.

#### Envision Energy: Purpose and Professional Development

When Lei Zhang founded Envision, in 2007, his goal was to revolutionize the energy industry—to create a company that would “help solve the challenges of a sustainable future for mankind.” Unlike most other Chinese companies, Envision would compete on technology rather than on cost of labor.

To achieve his goals, Lei knew, he had to approach talent sourcing and development differently. The design and manufacture of wind turbines is highly interdisciplinary and technologically sophisticated, and his software platform required deep know-how in both energy management and information technology. Lei set out to source his employees globally and across industries and to attract individuals with world-class capabilities.

Lei and Jerry Luo, Envision's vice president for HR, were convinced that many successful executives were searching for a greater sense of meaning in their work—a big and exciting idea to lead the industry forward—and that's what they offered. They wanted employees who could work across cultures and who had an “open innovation” mind-set, so they confined their recruiting to people with multinational experience. They took their search to global pockets of excellence: to Denmark for engineers with alternative-energy-innovation skills, to the United States for software architects, and to Japan for managers skilled in lean manufacturing techniques. They attracted an exceptionally diverse range of top performers.

Talent development was central to Envision's strategy. Lei and Luo devised an approach based on three integrated pillars: the Talent and Development Challenge System, which enables employees to solve increasingly difficult technical challenges, acquire additional responsibility, and create internal and external value; 36 behavioral indicators of developmental “accelerators”—namely, “wisdom, will, and love”; and a 360-degree feedback system.

Lei and Luo were determined to create opportunity for everyone. “Envision is here to help people achieve their ambitions and to help improve the world,” Luo says. So far, their efforts are paying off: Envision's revenue has doubled every year since its founding.

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### Tata Group: Talent Capture in Acquired Companies

Tata is India's largest enterprise group, with businesses in seven sectors, operations in some 80 countries, more than 450,000 employees, and revenue in excess of \$100 billion. In recent years it has grown through a series of strategic acquisitions and joint ventures. Global growth and diversity have brought a complex mix of talent management challenges.

Tata's HR and talent organization has become skilled at determining the value (real and potential) of the people in the companies it acquires and at risk management and talent capture. Risk management involves assessing the culture of the acquired company. HR works alongside finance and strategy to ascertain “where the target company has come from” and how it has dealt with challenges in the past, says Satish Pradhan, who recently retired as executive vice president of group human resources. “You need to understand their fears, their drama, their anxieties.” By providing insight into the acquired company's readiness for change and the distance between its culture and Tata's, the talent team helps

mitigate risk. This process, which stretches through postmerger integration, can take 12 to 24 months.

Talent capture is all about unlocking the ambitions and the potential of a leadership team that may be dispirited by a history of challenging performance or subordination to short-term goals. Pradhan grew accustomed to stories of resignation and even despair: “They’d say things like ‘Why don’t you guys just tell us what you want us to do.’” When Tata sees opportunity in an acquisition candidate, it seeks to unlock potential at the outset by creating a shared vision: What does the company aspire to be, and how can Tata enable that aspiration? “Initially there is cynicism and disbelief and ‘What are they not telling us? What’s the game here?’” Pradhan says. “Then, over time, they realize that we are actually serious about what we’re saying. We actually want the acquired company to have aspirations.”

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## The Mechanics Behind the Magic

From our decades of experience as both researchers and advisers, it’s clear what sets those talent strategies apart: They are relentlessly focused on supporting, and in some cases driving, the companies’ business strategies. They are comprehensive, addressing group, divisional, regional, and business unit considerations. They add value, and they work exceptionally well.

Commitment from the top executive team is central to building and maintaining this business-first mind-set. Game-changing leaders not only excel at articulating the vital importance of talent management but also are heavily engaged in their companies’ actual practices. They demand that their line leaders be accountable for spotting, developing, and retaining the next generation of leaders.

That commitment is essential to recruitment—the next important building block in a superior talent strategy. Seasoned HR professionals have little patience for executives who talk a good game about the importance of human assets but then cut management and professional development at the first sign of thinning margins. Line leaders who are skeptical about making substantial and continual investments in their people have already lost the war for talent. A division president recently said to one of us during a strategic off-site, “We don’t need to waste time building a strong HR team, and certainly not a fancy talent strategy—that’s what headhunters are for!” His company is currently fighting for its life, largely because it didn’t invest in finding and developing the right people to execute its vision and strategy.

Committed line leaders and gifted HR managers together create an organizational climate of spirit and energy—a magnet for the very best professionals. Their talent policies are built to last but are constantly under review, to ensure that they can respond to changing conditions on the ground and to cultural differences across the globe.

Getting these things right makes all the difference. It creates an authentic connection between how a company presents itself as an employer and how it really feels inside—the employee value proposition. It gives a healthy sense that promises made are promises kept. Authenticity paves the way for transparency. When employees know what it takes to perform, develop, grow, and succeed, they trust that their company is a meritocracy.

Make no mistake: This is not an easy place to get to. In fact, the path to a truly game-changing talent strategy is rife with complexity and ambiguity. How can both strategy and execution be consistently superior? How can they support a collective culture yet enable high potentials to thrive as individuals? How can the strategy be global and local at the same time? And how can its policies endure yet be agile and constantly open to revitalization? Too many organizations end up making zero-sum decisions when faced with such challenges. One trap a company might fall into is to think that because it's a global company, its talent practices need to be globally consistent as a matter of fairness.

Game-changers don't look at these issues as trade-offs. Rather, they see them as inherent tensions that must be carefully managed and reconciled: A strategic orientation must be balanced by ruthless operational efficiency; a sense of collectiveness must be balanced by the need for individuals to build their careers; a global perspective must be balanced by local relevance; enduring commitments must leave room for regeneration and renewal. Mastering all four of these tensions together will help your organization achieve and maintain high performance.

## **Strategic and Operational**

Superior strategic insight is critical for creating that all-important distance between a company and its competition. Yet the current environment is so intense that winning can come down to a company's ability to execute more effectively than its rivals. Finding a balance between constant strategic agility and dependable operational excellence is tough for many organizations.

The same holds true for game-changing talent strategies. An innovative business model requires that the very best talent be sourced, engaged, developed, and retained. Having a great model is hard enough; finding outstanding talent to execute it is even more challenging, particularly in emerging markets.

Putting the right talent in the right roles at the right time is one of the differentiators that keep BlackRock out in front. Its talent management policies and practices are guided by its global Human Capital Committee, composed of 35 senior line leaders from across the firm's businesses and key locations. The only HCC member from HR is Jeff Smith, the global head of human resources; he cochairs the committee with Ken Wilson, a BlackRock vice chairman and a highly respected leader in the financial services industry. Both are members of the firm's Global Executive Committee. The HCC's very existence sends a powerful message that talent is not only a strategic and scarce resource but a matter of critical accountability for line management.

Charged with protecting the firm's one-company culture, the HCC ensures that the four guiding principles shape day-to-day operations and behaviors and helps guide every aspect of what might be viewed as a talent management value chain across the company. Here are its responsibilities:

## **Talent planning and recruitment.**

Although the HCC leaves talent tracking and workforce planning to the leaders of the various businesses, it is actively engaged in employer branding. Recognizing that the firm needed to tailor its appeal to a new breed of college and business school graduates, members of the HCC worked with the marketing team to devise a campus recruiting campaign that addresses two of the highest priorities among young people: career mobility and social responsibility.

The best talent policies respond to changing conditions on the ground and to cultural differences across the globe.

## **Ensuring a high-performance culture.**

Line leaders at BlackRock own the employee engagement process, but the HCC leads focus groups to identify ways of enhancing employees' experience throughout the firm. It has also raised performance standards and improved the firm's approach to identifying and promoting high-potential talent—by, for example, assessing leaders on their efforts in this regard.

## **Prioritizing leadership behaviors that matter.**

The HCC insisted that a core part of its charter be to protect and promote the culture and values of the firm by ensuring that leaders are assessed not only on their technical performance but also on how well they live by and teach the guiding principles. As Donnell Green, BlackRock's global head of talent management, puts it, "The HCC and BlackRock's Global Executive Committee are not afraid to address head-on some of the stickier issues of culture change and culture formation, including breaking down silo behavior and driving harder to create a stronger high-performance culture. We live our principles day in and day out. One of them is 'We are one BlackRock,' so leaders who try to make their numbers in a zero-sum fashion by undermining their colleagues soon find out that there is no place for them at the firm."

## **Developing employees.**

The HCC presides over a robust process of employee and managerial development. BlackRock leaders have long valued stretch assignments and bosses who pay attention to developing direct reports as cornerstones of the firm's talent philosophy. Feeling that one downside of being "a family" can be the impression that the firm's performance standards are lax, they realize the importance of targeted development. Managing at BlackRock is a program that helps executives be more effective coaches, delegators, and drivers of high performance. As managers move up through the ranks, they can take advantage of an array of programs, such as Driving Performance Through Teams, Influencing for Results, and Enterprise Leadership.

## **Talent reviews and succession planning.**

BlackRock has developed an extensive process for talent reviews and promotions. “The foundation of our business model is collaboration for the client,” Green says, “so who gets promoted to leading at BlackRock matters a great deal.” Green worked with the HCC to construct a talent review process that explicitly assesses employees on being collaborative leaders.

## **Networking and collaboration tools.**

The HCC uses The Block, BlackRock’s online chat room and collaboration hub, and other types of communication to foster dialogue on subjects such as boosting innovation, networking with the firm’s leaders from emerging markets, and strengthening engagement in growth priorities.

## **Collective and Individual**

Our recent research makes clear the importance of creating companies that are guided by a collective sense of purpose. People have always sought meaning in their lives, but we found that a sense of purpose is an overwhelming differentiator in attracting top talent. At the same time, these professionals want opportunities to grow, exciting assignments, and interesting careers. A game-changing talent strategy helps companies provide all these elements.

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Game-changers are clear about the purpose for which they exist. They know that performance is the route to remaining competitive. And they are adamant that their principles will see them through good times and bad. A company's talent managers can support its objectives by articulating up front that it demands enthusiastic buy-in to its core purpose. Nonbelievers need not apply.

We found that a sense of purpose is an overwhelming differentiator in attracting top talent.

Every game-changing company we know is backed by a powerful sense of collective pride and a respect for individuals' need to grow. "We are maniacal about driving high performance, but we are also a family," says Larry Fink, a cofounder of BlackRock and its CEO and chairman.

Collectivism, collaboration, trust, and respect are the foundation of BlackRock's belief system. "What makes a game-changer in my mind is that our clarity of purpose is crystal clear, has never changed, and never will," Fink says. "We are a fiduciary to our clients. We serve them. We never, ever compete with them." The notion of collective behavior was so important to BlackRock's founders that in its first few years they decided they'd all be paid the same. Thus everyone could focus on sharing information and working together to serve clients.

BlackRock also has a powerful tool for collaboration in Aladdin. “You need integrated pipes to keep a business together,” Fink explains. “Aladdin does that for us. One platform means we are all looking at the same information together, in a transparent fashion, with every business we run and in every location throughout the world. This allows us to talk as ‘we’ and not ‘they.’ To be a successful leader at BlackRock, you need to be an exceptional sharer of information.” Charlie Hallac, BlackRock’s chief operating officer, adds, “I believe it’s not possible to effectively represent the firm to our clients if we can’t all articulate Aladdin’s value to BlackRock.”

BlackRock’s leaders work to build the collective spirit. “We lead by example and then reinforce those examples through telling stories,” says Rob Kapito, BlackRock’s president and a cofounder. “Much of what makes BlackRock a special place is that we take our time to select the right partners and the right employees. The notion of ‘we’ dominates here. I bring our emerging leaders to my house. I cook for them. They get to know me as a person, not just a role. Trust is built by people being transparent and authentic with one another. Authenticity has high currency at BlackRock.”

## Global and Local

Nowadays it seems almost trite for a company to announce, “We are a global company, competing in a complex global environment.” In reality, companies function as confederations of local entities—some of them operating with reasonable autonomy, and some deeply dependent on other businesses and regions—and in strategic partnerships with outside companies. Therefore, identifying, developing, engaging, and retaining local talent is of paramount importance to a company’s success. Winning today has little to do with the efficacy of moving ex-pats in and out of local environments. Top performers who might once have aspired to the head office are now angling for leadership roles in their home countries.

### Do You Have a Game-Changing Talent Strategy?

Thinking about the first three statements below should give your team an indication of what it needs to do to make your company a game-changer. The remaining statements should allow it to gauge to what extent your company’s talent policies and practices are working in support of that objective.

1. My company places “purpose” at the heart of its business model.
2. My company has a high-performance culture.
3. Leaders in my company follow well-understood guiding principles.
4. Our people policies help drive our business strategy.
5. Our talent management practices are highly effective.
6. Our leaders are completely committed to excellence in talent management.
7. Our leaders are deeply engaged in and accountable for spotting, tracking, coaching, and developing the next generation of leaders.
8. Our talent practices are strategically oriented, but they also put a premium on operational efficiency.
9. Our talent practices engender a strong sense of collective purpose and pride yet work very well for my career as an individual.
10. Our talent practices strike the right balance between global scale and local responsiveness.
11. My company has a long-standing commitment to people development, but we are very open to changing our policies when circumstances dictate.

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But sometimes individuals want to move from their countries and regions, and sometimes a company simply needs to move its key resources. In those situations, game-changing companies know where their best people are, what capabilities they possess, and how they can help with the challenges the company is facing.

Talented individuals are drawn to organizations that continually refresh their systems, processes, and strategic initiatives.

BlackRock's talent policies and practices are globally scaled and locally relevant. Its global graduate recruitment program is built on strong relationships with local universities and business schools. It has rolled out We Are One BlackRock and guiding principles workshops in its offices around the world and made sure they were facilitated by local BlackRock leaders.

The firm's global brand and local relationships draw top senior talent to the firm. One example is Mark McCombe, formerly the CEO of HSBC Hong Kong, who joined BlackRock as its chairman, Asia Pacific. Another is Hsueh-ming Wang, a former Goldman Sachs partner, who recently joined as the first chair of BlackRock's China operations.

## Enduring and Regenerative

In the top-performing companies, a sense of legacy and continuity matters. But talented individuals are drawn to organizations that continually refresh their systems and processes as well as their strategic initiatives, in order to delight customers and outwit competitors. Great companies know that by being agile they can stay in play for many years.

Perhaps the most powerful way to do this is by building a talent strategy that both endures and regenerates. Jeff Smith, BlackRock's global head of HR, came to the firm through its 2009 acquisition of Barclays Global Investors, when Fink and the Global Executive Committee decided that BGI's HR practices were better able to support their firm's priorities. BlackRock has gained strength and momentum—and many leaders—from each of its acquisitions; the GEC includes four from the BGI merger.

Smith and his team constantly scan for innovations in HR and talent management practices while ensuring that BlackRock's guiding principles are well understood and practiced. They conduct an annual engagement survey that addresses, among other things, the quality and effectiveness of BlackRock's HR and talent practices. And they played central roles in helping Fink, the GEC, and the HCC roll out the We Are One BlackRock and guiding principles workshops. Two of the principles capture the firm's capacity to manage this tension: "We are a fiduciary to our clients" (enduring) and "We are innovators" (regenerative). Little is left to chance at BlackRock: Its executives are committed to measuring everything—talent management, development programs, engagement, rewards, and reputation. Hay Group, which performs global engagement studies, has recently included BlackRock in its high-performance norm group. Game-changing companies build three winning capabilities simultaneously: They are purpose-driven, performance-oriented, and

principles-led. We believe that their secret weapon is superior talent strategies characterized by deep commitment from the top executive team, broad-based engagement, and line accountability, with a “leaders developing leaders” culture.

These talent strategies are completely aligned with the companies’ enterprise and business strategies; they are transparent and authentic; and they are guided by skilled professionals who know that superior talent can be crafted only by mastering the complexities and tensions of a postglobalization age. They are globally scaled yet locally relevant. They engender a sense of collective passion and purpose while enabling high potentials to thrive as individuals. And finally, they maintain that hunger for revitalization and renewal that is the hallmark of a game-changing company.

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