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TALSIM: Gone in 60 minutes

It was with real excitement that I announced on 19th April, 2011, the beginning of the development process for TALSIM, a software tool to model the effects of talent acquisition and leadership solutions over time.

What if you could show clear dynamic evidence, evolved over time, of the consequences of your HR purchasing decision to your board of directors, either in advance for budget approval, or for post-intervention evaluation? What if instead of listening to the marketing spin from consultants, you could actually model for yourself the likely consequences of using their competing products?

Such a comprehensive organizational-intervention outcome-modeling system for evolving the potential outcomes of many kinds of substantive HR interventions over time is now in development: **Talsim**. The foundations of this modeling are found in tensor analysis, artificial life models, diffusion/annealing models, and cellular automata. Couple these with conventional utility analysis, econometric models, and systems modeling, and you have the basis for a decision-support tool which can provide evolved outcomes of even supposedly 'intangible' effects, along with financial and other more concrete outcomes.

An international workshop series was planned, and a huge amount of preliminary work to establish the broad requirements for such an application which would present the means to model interventions to senior HR executives and decision makers.

Yesterday, I thought I would begin work on a concrete question which might be asked of many large HR corporate executives: "Should we use the Gallup Q12 employee engagement assessment?". It's big, expensive, and promises seriously important positive organizational outcomes if you can get your organization's overall engagement score into the top 10% of 'engaged' organizations. I read their latest whitepaper (August 2009) :

[Q12® Meta-Analysis: The Relationship Between Engagement at Work and Organizational Outcomes](#)

By Harter, Schmidt, Killham, and Agrawal.

An impressive document, with meta-analytic results computed from: "99 research studies across 152 organizations in 44 industries and 26 countries"(p. 1). Usual cluster of over-corrected (boosted) effect sizes but no doubt remains in the reader's mind that engagement can have a beneficial effect for some companies, with an expected 'significant benefit' when the top 10% scoring *engaged-workforce* companies are compared with the bottom 10%.

So, while digesting this and thinking about why anyone would ever want to bother 'modeling' deployment of the Gallup Q12 given such solid evidence, I came across another Gallup whitepaper, dated 2008 and 2010 ..

[Employee Engagement: What's your employment ratio?](#)

Again, the usual persuasive style of presentation. But what really caught my eye was this statement at the top of (p. 10), attributed to CFO Magazine, June 1, 2007:

"Best Buy has already had success in connecting improved employee-engagement scores to store performance: it found that for every 10th of a point it boosted the former, its stores saw a \$100,000 increase in operating income."

Why, because I had just read a technology/finance update in the NZ Herald (April 24th, 2012):

[Apple's record profits - where do they come from?](#)

Which had featured this text about Best Buy:

"Another partner struggling to deal with Apple's success is Best Buy Inc., the largest consumer electronics retailer in the U.S.

"While Best Buy has enjoyed strong sales with Apple products, Apple has benefited more," Daniel Binder, an analyst with Jefferies & Co., wrote last month.

Apple's own stores compete with Best Buy, and as Apple products win out over others, consumers become more likely to shop at Apple stores. Binder downgraded Best Buy a year and a half ago, saying the iPad would cut into PC sales. That trend has been even stronger than he expected, he says.

Best Buy stores sell less than \$1,000 in merchandise per square foot per year, according to research firm RetailSales. Apple stores sell more than six times as much, a record for the US retail sector.

If Apple does release a TV set this year, as has been rumoured, that would be even worse news for Best Buy, Binder says."

The message from Gallup was that Best Buy was a poster-company for its engagement assessment, scores within the top 10% of the benchmarked norms (<http://gmj.gallup.com/content/12568/one-store-one-team-at-best-buy.aspx>) with profitability to match. But I noted this good news was from around 2003 – 2010.

So I took a look at the share price, corporate accounts, and company trading matters of Best Buy over historical and current years. If engagement scores were this high so consistently, then the company should be doing really well if engagement was to be seen as causal for organizational performance in a non-trivial way. Using data and graphics supplied by Yahoo Finance, the following share price data from 2002 to 2012 is observed:

Best Buy Co. Inc. (BBY) - NYSE

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22.33 +0.22 (1.00%) 4:00PM EDT | After Hours: **22.16** -0.17 (0.74%) 4:11PM EDT - Nasdaq Real Time Price

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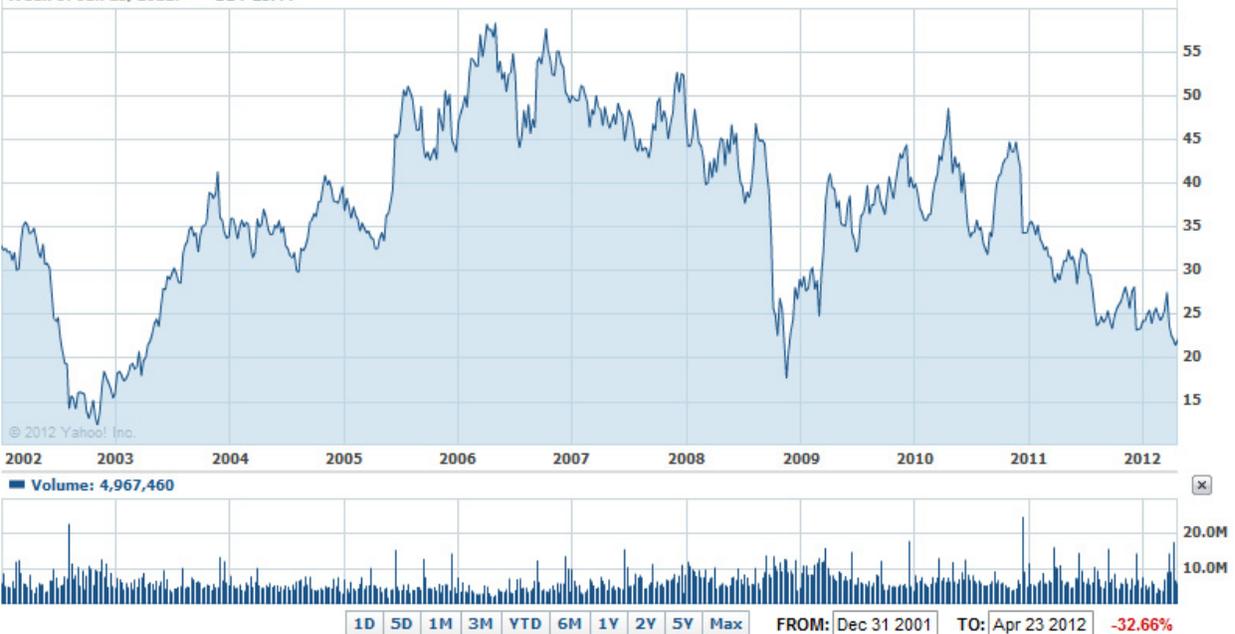
EVENTS ▾

TECHNICAL INDICATORS ▾

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RESET

Week of Jan 23, 2012: ■ BBY 25.44



[The company is in trouble](#), just having announced closure of 50 stores in the US and the laying off of 400 employees. Given the size of the company these figures are not so significant as they seem, but the ominous ‘writing on the wall’ for Best Buy is in this simple sentence from the analyst’s report:

“[industry watchers contend that Best Buy stores increasingly serve as physical showrooms for online retailers.](#)”

People go into the stores to examine products physically and check them out for functionality, then go buy them online. Amazon Inc is killing Best Buy.

Employee engagement? All the good news reported by Gallup about Best Buy corresponds to the increasing positive and peak trading period for Best Buy 2004 to 2010. Since then, share prices have halved. All the employee engagement in the world cannot overcome the market pressures caused by senior executives not realizing (until too late) how Amazon would change consumer buying habits.

The Bottom line for TALSIM

I have the sneaking suspicion that engagement is what ‘evolves’ naturally in successful organizations, while they are successful. It is a property which evolves via complex dynamics as a product of that success, and is not the cause of it. In short, organizations actually have no control over engagement .. it happens as a natural consequence of an organization becoming successful and being successful. As soon as market conditions cause a downturn in an organization’s success, so does engagement fall.

Such a view is untenable for an HR which believes employee engagement can cause positive organizational outcomes. Hence, it has no choice but to implement surveys and interventions designed to increase engagement. The consequence is that any rational modeling system like TALSIM which incorporates outside market and other influences will be ignored by HR. And, let’s be fair here – it does seem to make sense that employees who are engaged will be more motivated to work for an organization. Surely that must translate into better productivity etc? And, is that not what Gallup and other organizations who sell engagement products keep advertising via their benchmarking analyses?

Exactly the same arguments are deployed for “emotional Intelligence”. Yet, when rational evidence-acquisition is undertaken and published in major reviews, the organizational effect is simply not there to be seen. The brief article published by [Andrew Munro](#) in 2011 which summarises the results from many evidence-review sources concludes:

“EQ has at best been little more than a distraction to improvements in leadership assessment and development. At worst, however, it has contributed to a dynamic of leadership folly and fiasco that has damaged business productivity and competitiveness.”

Yet, evidence and clear results such as these have no impact on HR. Even if TALSIM could show there was no effect to be found for EQ/EI, it is clear HR would still buy into the concept for no other reason that it is making purchasing decisions on the basis of beliefs and fear of failure, not on rational grounds. See the recent article by Jeremias de Klerk (2012) for a formal statement of this position:

“[\[HR\] Improvement interventions often represent defences that serve to contain anxieties or maintain fantasies.](#)”

But, what else can HR do if it is to be seen by the Board to be ‘doing something’ more than just transactional employee ‘maintenance’. Right now, I feel many in HR are just clinging to dogma and each other. Trading conditions, markets, and economies are such that stability is fleeting; jobs and job roles are changing annually; technology changes can destroy or create jobs almost overnight. The flux of organizational and market ‘complexity’ now seems almost tangible, yet in the midst of this, HR seem not to have woken up to what is happening. And it is not in the interests of I/O psychologist, management/HR consultants, or the large consultancy organizations to actually be honest with their clients. Because such honesty requires admitting that forces are now at work in the market and in organizations which can dwarf the work activity/outputs of any group of employees. That is why I saw a need for TALSIM. HR needed a way to rethink some fundamentals and model that thinking.

And consider this from [TNLT](#), advertising a webinar on May 1st, 2012 ...

[Employee Engagement Is Broken: Unlocking The True Driver of Employee Performance](#)

“For years, our organizations have been investing time, money and energy into engaging our employees based on the promise that engagement drives results. But, many organizations report that despite their best efforts, engagement just hasn’t delivered as expected.

While engaging our employees is critical, it turns out that engagement isn’t enough. Engagement without accountability is chaos. It is the organizations who cultivate a culture of personal accountability who are truly winning. It’s when engagement and accountability meet that breakthrough performance occurs.

In this dynamic, provocative and groundbreaking presentation, you will learn to see the science of employee engagement in a completely new way. You will understand why the way we have historically measured employee engagement is fundamentally flawed. You will discover that many of the ways we have been working to drive employee engagement may be actually hurting the company’s performance.”

I might have still continued with the TALSIM project except I then looked at Sony Corp’s trading position after [reading](#):

“Sony is projecting a massive loss for the fiscal year that ended three weeks ago. It's been in the red the last three years as well. Last week, it said it would cut 10,000 jobs, or 6 per cent of its workforce.”

I wondered what kind of leadership development Sony was using (in light of my recent [strategic whitepaper #6](#) showing little or no relation between leadership development/training expenditure and public confidence in leadership from 1996 to 2011).

I came across this in a review article (Editorial (2008) [Alternative paths to leadership: New models of development training](#). *Development and Learning in Organizations*, 22, 3, 25-27) pp 25-26:

“At Sony Europe, for instance, future leaders spend their training talking to water, considering significant emotional events, writing letters to loved ones and keeping journals. What’s more, the senior managers who have experienced the program tend not to be able to praise it highly enough. Sales director for Sony Netherlands, Barend Ezechiels explains what the experience has taught him: “If you talk to water and then make ice crystals you can see a difference. If you talk in a friendly way, you get smooth crystals with no edges. If you talk angrily the crystals change colour and are irregular and broken, and if you talk with compassion then there is also a different structure. It is really strange.” Thus, Ezechiels reasons that “If you are thinking negatively when you are in front of the group and you don’t believe something yourself, this will radiate to the others.” The ice experience “helps you to understand you own feelings and use them in a professional way.”

Talking to water is part of the program that [Swan Consulting Services](#) developed for Sony. It is based on developing emotional intelligence in leaders, helping them to build strong relationships as they move around the business, and has so impressed participants that they have demanded that human resources introduce emotional intelligence training much more widely. The course is made up of three modules: the first looks at the individual’s motivation and life values and teaches them how to understand what great leadership looks and feels like; the second explores the energy of emotions and how to use this positively; the third is mostly concerned with coaching. Though it is an unconventional approach to leadership training, Sony Europe decided on this eight-month program because its president believes that the change in managers’ perspectives will lead to change in the whole company culture. Thus far the results look promising. ”

I then looked at the share price pattern for Sony from 2007 to now, expecting to see the impact of the 'unusual' leadership intervention reflected in corporate performance as the new breed of leaders and emotionally intelligent senior managers diffused the effects of this development into the organization at large ...

Sony Corporation (SNE) - NYSE

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16.32 ↓ 0.18 (1.09%) 4:01PM EDT | After Hours: **16.32** ↓ 0.00 (0.03%) 5:36PM EDT - Nasdaq Real Time Price



All that effort, expense, and emotional intelligence development has resulted in a negative effect; if you truly believe that this kind of intervention as 'leadership development' should have had any effect in the first place.

What was more chilling is that this leadership development strategy was published in PeopleManagement, 23rd August, 2007, pp. 34-37; a 'serious' UK HR magazine.

This ridiculous development strategy sold by a serious Management/HR/Psychology consultancy in the UK was given time and money, not only by Sony, but by a professional HR magazine.

Sony is dying as a company, like Nokia, unless it can figure out for itself a way to compete with Apple and Google. Talking to water is not going to do it. But HR evidently thought so.

Likewise the team building exercises using synchronised drumming, building bicycles in the Nevada desert, pretending to be animals, juggling balls, paint-ball warfare, and all the other kinds of 'leadership/ team-building' schemes dreamt up by consultancies and organizations which promise 'positive organizational success'.

At this point, I gave up any notion of producing TALSIM.

If as a profession, HR, can think that incorporating emotional intelligence in its future leaders by enabling them to talk to water will solve the devastating organizational problems Sony face, TALSIM would look like something out of the TV program Stargate, found on planet SG127_X as an alien artefact; a curiosity with no apparent purpose.

In Conclusion

I fully understand the need for HR to feel they can do something positive for their organization, but that need has to be tempered with cold reality.

Positive employee intervention effects can be swept away overnight by market forces and trading condition changes.

Many of the desired organizational outcomes which cause HR to buy into many kinds of employee interventions are admirable; they make great sense at a *superficial* level of analysis. But that superficiality and '*economy with the truth*' is what the majority of sellers of those interventions rely upon in their 'validity' statements – from SHL's TalentAnalytics™ through EI/EQ development, through psychometric self-report testing, through the excesses of team building 'entertainment as development'.

What many in HR must realize is that even if an intervention appears to work in year 1, it may become an expensive irrelevance in year 2 by nature of the complexity of organizational and socio-economic external factors.

If instead, HR takes a 'realist' view of managing a workforce in a complex environment, then not only must they consider the 'diffusion nudge' approach to interventions, but also external socio-economic factors that can affect an organizations performance beyond anything a collection of product-based HR interventions can affect.

The direction of causality is also another utterly critical component to consider. If engagement really is a diffusion effect which happens almost unobserved until it reaches a critical mass, and is a product of organizational success, then no amount of formal interventions via 'manufactured' methods of raising engagement will have any effect. Organizational success brings with it higher financial and a host of tiny but important "en-mass' rewards to an organization – such as increased equipment budgets, more travel for many senior employees, increased salaries and other rewards, increased access to training and career development (via corporate expansion) etc. These all happen almost imperceptibly at first, as employees and executives begin adjusting to organizational 'success'.

Consulting to HR is about being very honest, and very, very strategic; not selling vapourware, trivial psychobabble intervention products or services, and making 'knowledge claims' about product validity which are of no actual value or import than advertising 'puffs'. The effect of such 'bitty' interventions can be like dropping stones in a metaphorical ocean constituting the organizational business plan, socioeconomics, and the present and likely future conditions of the market in which an organization exists.

Most problems I see being addressed in HR are not being handled 'strategically' or with any more insight than what their consultants or consultancy organizations are feeding them as 'justifications'. Superficiality, jargon, and the need to show that 'something' is being done seems to be the paramount concern these days.

But HR problems, especially those around selecting and developing employees are not amenable to the kind of trivial, specious advice offered by many whose primary job is actually to make sales for their own organization, or develop a lucrative income stream for themselves.

I find many HR problems to be extraordinarily complex to deal with – because many other factors are entering into the process of deploying a discrete HR intervention. Dealing with this kind of complexity and determining a suitable course of action may actually just require a series of slight but strategic 'diffusion nudges' from HR, and no 'external product usage' at all.

But who is capable of providing this kind of strategic, honest, and sometimes difficult consultancy advice to HR?

Those who sell superficiality and products neatly packaged and marketed as metaphorical bottles of elixir; the psychological equivalent of the fabled Shangri-La secret of eternal life?