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## Toward the Future of Organization

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**T**o lead in the present and the future, organizations must emphasize two things: talent and environment.

An organization must employ and retain the best, brightest, and most diversified people in order to innovate. The aim is to create what I call a united talent workforce. Organizations must have people who will work together to bring out better products faster or deploy better processes in the workplace. Organizations need to provide talent with appropriate resources for innovation.

An organization must create (a) a constant learning environment that embraces positive challenge, (b) a fearless environment where people can communicate and collaborate with one another, (c) a diversified environment where people think differently and value each other's thinking, (d) new ways of looking at problems and opportunities and a strong sense of urgency, and (e) a culture that effectively leverages talent.

### Organizational Winning Strategy by Leveraging Talent

Whether leading or lagging, in long races those who go fastest win. As General Electric's former chairman Jack Welch said in many different ways, the only sustainable competitive advantage is to innovate and change faster than the toughest competitors.<sup>1</sup> He also emphasized that if the outside is changing faster than you are, the end is in sight. In business, just as in racing, those who go fastest have the combination of the fastest vehicle and the most talented driver. And the fastest vehicle was created by the most talented group of designers, engineers, and fabricators, a winning mix of talented leaders and a strong cast of highly motivated, hard-working doers.



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The talented driver is the manager–leader who maintains the winning combination of continuous development and on-time obsolescence.

Business is no more than the extension of its key talent in the *value chain*. That's why, over the past two decades, the emphasis in business has shifted from maintenance to meaning, from putting in time to making a contribution, from politics to value-added performance, from labor to talent.

In the business context, *talent* may be defined as “capability applied to create value that is recognized and rewarded by primary stakeholders—owners, managers, and customers.” Talented people must know how their jobs fit within the value chain and not only perform the routine tasks well but also excel at the high-leverage components of their jobs.

The high-leverage components usually require some degree of proactivity, creativity, initiative, and ingenuity. If talented people are not regularly operating at the high end of their jobs and being leveraged wisely by management, most of their talent is wasted. In fact, talent is wasted whenever it is not recognized, developed, expressed, refined, and leveraged.

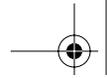
Now let me define what I meant by value chain. A *value chain* connects customers with creators, giving customers the impression (or illusion) of intimacy and identity with the organization and supplying them with the value they want and need to return again and again. In a product-based business, the value chain may have these 10 links.

1. Creative ideas
2. Constructive criticism
3. Concept development
4. Testing/feedback
5. Finished product
6. Managing/marketing
7. Sales
8. Support/service
9. Management systems/processes
10. Leadership

Every business needs top talent at every link because the business will be only as strong as its weakest link. Moreover, the talent at every vital link must feel valued. To the extent that talents feel like victims, performance suffers proportionately.

What talent matters most in your business? Every member of the value chain matters to the customer. Leaders should recognize that the new definitions of talent and value do not exclude any member of the organization. All employees should feel, as should all members of an athletic team, that they play a vital role and might, through diligence and intelligent application





of talent, become indispensable (in a here-and-now business sense). This means that on any given day, or on any given shift, their presence and performance not only “matter,” but also make all the difference in the world.

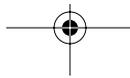
I think every person likes the feeling of being a “count-on-me” talent. But people may not stay happy in the system if, after proving themselves, they aren’t recognized and rewarded.

How is talent best recognized and rewarded? No one way suits all. To the extent possible, rewards should be personalized, based on the preferences and priorities of each individual talent. Is this too much to ask, you say? Not if you want to be a market leader. The size of the operation is not the critical factor; the critical factor is the habit of showing appreciation.

How is top talent best recruited? Top-performing environments attract top talent. The best talents flow to the best companies to work for. These performers may be influenced by colleagues, peers, and media polls; a lot of recruitment happens by word of mouth in every industry. Talents seek creative freedom, expression, performance options, growth, and a supportive environment with capable owners, managers, coaches, cheerleaders, team members, and pay-for-performance systems.

How is talent best leveraged? I see seven ways.

- 1. Teams.** Put top talent with other top talent in teams and give them challenging and meaningful work to do. Make sure this work is valued by the organization and its customers.
- 2. Special projects.** There’s nothing quite like a special assignment, some “mission impossible” or high-priority project, to bring out the best in talent.
- 3. Products.** Pour top talent into products that can be replicated and widely distributed. By creating new products and improving existing products, you gain immense leverage.
- 4. Distribution.** Seek wide distribution for the work of top talent. If the world-class work of your top talent is poorly promoted and distributed, you gain little leverage.
- 5. Marketing/sales.** Leverage talent through marketing and sales events. This may mean featuring talents in ads or involving them in sales in some way.
- 6. Advertising/public relations.** Make your top talents bigger than life. Create an image and identity for them. Invest wisely in advertising and public and media relations to make a brand of the talents’ names.
- 7. Mentoring/modeling/coaching.** Engage willing, mature talent in the high-leverage activities of mentoring, modeling, and coaching new talent.





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What is the new role of managers and leaders? Like management in the sports and entertainment worlds, the primary role of management in business is to support, serve, discipline, and leverage talent. The leader often asks four questions: How is it going? What are you learning? What are your goals now in light of how it is going and what you are learning? How can I help you? In this way, the leader avoids owning the problem and yet offers himself or herself as a source of help. The leader's responsibility is to create conditions of trust, set up performance agreements, allow people to perform, and then hold people accountable—all with the aim of being competitive and making a greater contribution to society.

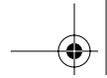
A talented leader, Sumner Redstone, CEO of Viacom, says: "I've always wanted to win. I think winning is everything. Throughout my life I've had an obsessive drive to be number one. That doesn't mean I've always been number one. But that's what drives me—a desire to be the best at what I do." He tells of the hotel fire in which he was badly burned—and then of being in the heat of negotiating and deal making—and yet of being in perfect health at age 78. "The question isn't whether you are subjected to adversity and conflict during your life," he says. "The question is how you deal with it. If you really want to succeed, you have to be passionate and have a commitment to excellence in performance. If you have both of those, and some intellectual capacity, nothing is impossible. Optimism is not optional in business—it's vital. I believe that optimism is the only philosophy of life that's compatible with sustained success and sanity. So if you want to stay sane, you have to be optimistic and have confidence in yourself and your team."<sup>2</sup>

Redstone is known as the consummate champion of talent and content. "I believe that talent is king because people don't watch TV, they watch talent, content, programming. The way you manage talent is to let them run their business to a large extent. If you have confidence in the talent of your managers, you do not intrude every time they make a decision."

Beyond capability in talent, Redstone looks for character and loyalty. "I look for someone I can trust, and who trusts me. And, I look for confidence, competence, and commitment."

To maintain a culture of innovation and creativity at Viacom, Redstone cultivates creative talent. "Where does great content come from? Creativity. And where does creativity come from? From people who work in creative environments and associate with creative leaders. We maintain a high degree of innovation and creativity because we also have a high degree of financial discipline—and one works right along side the other. But money is never the driver. Most talented people are not motivated primarily by money but by the desire to achieve, to win, to be the best, and to try to





make a positive difference through their work every day. They have a sense of mission.”

Redstone is a prime example as he continues to lead Viacom. “The word ‘retirement’ was somehow omitted from my dictionary. I love what I do. I’m surrounded by brilliant people, many of whom could run Viacom. I respect their views, and I want to hear them. If they disagree with me, I want to hear that too. And they don’t hesitate to tell me. Naturally if they disagree, I want them to have some solid reasoning behind their position or point of view. But I respect and trust my team. I know I can trust them, and they know they can trust me. Mutual trust is the most important element in running a company. Without it, you lose. I would like to think that I’m making some kind of a dent in the universe for the better. I’m not sure that’s the case. I know I try. And if you try, perhaps you succeed. But the best news is—I am not yet finished.”

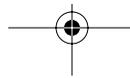
## Talents versus Knowledge Workers

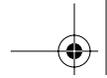
Most organizations do not know how to distinguish between their talents and knowledge workers. All talents are knowledge workers, but not all knowledge workers are talents. Talents are more than knowledge workers. To operate successfully, every organization needs both talents and knowledge workers. Knowledge workers may become talents through dedication and a well-defined goal, but most don’t make the transformation. The following are seven differences between talents and knowledge workers.<sup>3</sup>

### Talents Make and Break the Rules; Knowledge Workers Conserve the Rules

The main difference between talents and knowledge workers is that talents break the rules, create, initiate, invent, direct, and send—talents take initiative, they are proactive. Knowledge workers, in general, do not. Knowledge workers take orders. They are studious and obedient people. Just because a person is brilliant or has a Ph.D. does not mean that person is talented. One need not be a genius to be a talent.

In the 1950s, when W. Edwards Deming begged American companies to improve their quality, they didn’t listen. He continued to beg into the 1980s, when corporate America finally listened. Of course, by then Japan had a 30-year head start, from which the Western world has never recovered. Deming identified incredible persistence as a key characteristic of talent. His ideas provided a great service to society but were slow to gain acceptance in the Western world.





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Breaking the rules is not necessarily the road to glory and wealth. The dot-bombs broke all the rules of business leadership. Many had no visible means of actually making money by offering something for sale. They simply sold their ideas to people with money who clearly did not use diligence in recognizing unrealistic business plans. They broke the rules and bombed out at the expense of many broken lives.

### Talents Create; Knowledge Workers Implement

Talents are your ingenuity source. They are creative. But creative talents need support from knowledge workers to make the products and services and get them to customers. For an example in a different arena, scientists are talents who do research with the help of associates (knowledge workers). In business organizations, knowledge workers help talents to transform ideas into reality.

### Talents Initiate Change; Knowledge Workers Support Change

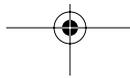
Talents can feel the need to initiate change before it becomes necessary to change. Talents generally initiate change within the organization. But talents need visionary knowledge workers who support the change. Without the support of knowledge workers, it would not be possible for talents to bring about the changes within the organization. Even the rare talents who can intertwine talent behaviors and knowledge worker behaviors as the circumstances demand need the support of additional knowledge workers to implement innovations and changes.

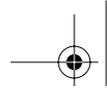
### Talents Innovate; Knowledge Workers Learn

Talents innovate, and knowledge workers learn and apply those innovations in the organization. Talents are the teachers; knowledge workers are the good students. A talent may create a programming language and teach it to the knowledge workers, who would then learn, use, and refine the language.

### Talents Direct; Knowledge Workers Act

Talents direct knowledge workers to perform the work. Good knowledge workers learn to deal with the idiosyncrasies that seem to be characteristic of talents. With the direction of talents, knowledge workers perform their work. Knowledge workers carry out the visions and marching orders of talents.





## Talents Inspire and Lift People; Knowledge Workers Receive Information and Motivation

If you are a talented person, you likely want to help the next generation; you want to lift the people who work around you; you want to see those people become successful. And yet when some of those people fail, you become frustrated. Knowledge workers don't understand this. Often knowledge workers don't understand what talents are after because they are so different. Knowledge workers have to understand what talents are after, what their missions are. Unfortunately, talents are not always good at explaining their ideas and intents to their knowledge workers. No talent is perfect. Talents need to work on their weaknesses as they play to their strengths. If you are a talented manager, and you have 10 knowledge workers reporting to you, you need to take time to get them to share the excitement of the dream with you. Show them your love for what you do and pass that ball to them.

### Talent Management System

The Talent Management System (TMS) is an effective tool for creating a symbiotic relationship between talent and the organization to dramatically accelerate performance improvements. The TMS is a distinct function within the organizational management system devoted exclusively to attracting, keeping, managing, and identifying talent.<sup>4</sup> It is administered by the management team in cooperation with the human resource function.

TMS elevates talent to a visible, exalted position to which others aspire. The TMS should be implemented and communicated as a big deal because it promotes distinct tracks for talents and other employees. The introduction of a TMS system could create commotion, gossip about the insensitivity of management to people's feelings, complaints of discrimination, outright rebellion, and work stoppages. But if introduced carefully, TMS can also cause people to recognize special contributors in meaningful ways.

Special tracks are not new. Most corporations identify high-potential employees (hi-pos) and put them on a hi-po track with a higher pay scale. Engineering organizations identify gifted engineers and put them on a "dual ladder" track that can extend upward through several vice presidential levels. The same for gifted scientists. Why not the same for other talents?

The TMS should be a powerful magnet to talents, demonstrating that the corporation cares about talents and their joy-of-work needs. The TMS is structured into four elements.



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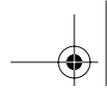
**1. Attracting Talent** describes how to become a strong magnet for talent. Here are seven ways organizations can attract talent.

- Treat talent as customers.
- Have a TMS.
- Promise future reward and recognition with stock options, other ownership options, and performance-based pay packages.
- Have a flexible work environment and positive culture.
- Provide proper training and research facilities.
- Practice visionary management and leadership.
- Conduct performance reviews and succession planning.

The single most important thing organizations can do to become more attractive to talent is to create a flexible work environment. To attract more talent, an organization needs to create an environment that attracts the most talented people to create the knowledge base needed in the organization. Rather than have narrow job functions—“This is the only thing I do and nothing else”—people should feel free to walk around. For example, even though they are working in the marketing organization, talented employees may go to product development and say, “Here is an idea.” It may be wild, but the marketing people should still have the freedom to talk about it—and product development should consider the idea. For example, suppose you want to develop a car, and somebody in marketing comes up with a phenomenal car design and concept. There’s nothing wrong with that. That’s the kind of flexible work environment that attracts talent.

**2. Keeping Talent** describes how to create and maintain daily working environments in which talents can productively pursue the joy of work and financial benefits from contributions. Organizations keep talented employees by doing the following.

- Treat talents as customers.
- Compensate talents as preferred suppliers.
- Offer the right compensation, including proper reward and recognition.
- Conduct meaningful performance appraisals.
- Design jobs to appeal to talented people.
- Assign the right talent to the right jobs.
- Choose the right location to attract and retain the right talent.



- Provide proper training, development, and succession planning.
- Provide a proper research facility.
- Balance age, race, gender, and color.
- Create a challenging environment or excitement in jobs.
- Communicate candidly without fear of reprisal.
- Provide unassigned time to seed and cultivate ideas.
- Create social bonds with talent through adventures, sports, games, contests, parties, and celebrations. For example, a former IBM manager used to take his 24 managers on a white-water rafting trip down the Colorado River each summer. He says, “When you’re in white water together, and someone falls out of the raft, and you have to think how to get him back in, that creates deep bonding. At night, at a campsite that is far removed from cell phones and other distractions, the group can discuss different business strategies.”

**3. Managing Talent** describes how to treat talents as customers and create opportunities and freedoms for talents to stretch for their dream, for the things that make big differences for the company and for society. Managing talents may seem a hopeless endeavor. Talents seek freedom and support, not managing. Again, think of talents as customers. You can’t manage customers. You can only provide them with the goods and services they want and need. Determine their customer requirements. Ask talents what they believe is the most important thing they can do for the company. If it is within the boundaries of the strategic direction of the company, ask them what they need from you and then provide those needs instantly. Act quickly. Delays in service indicate that you don’t care—not a message you want to send to temperamental customers.

Managing talent has to be learned. Managers must know how to get the best out of people and how to strategically place them in the right position where they are not dragged down by routine work. Managers must provide the setting in which their talents can produce maximum knowledge and maximum innovation and have maximum impact. When strategically managed, talents will generate maximum return. Many companies don’t bother to grow their own talent or have talent farms or other ways to grow talent



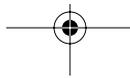


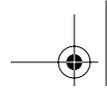
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because they don't have anything like a TMS. They think managing talent is the human resource manager's job. Many managers mistake "people who kiss up to the manager" for talents—and they may promote the wrong people. Whom you know becomes much more important than what you know or what you do. This is a common mistake. Don't let politics get in the way of making good decisions. The manager may have a hard time making the proper decision. Often, the employees will know the talent better than the manager does. There are a couple of easy ways to solve this problem. The simplest way is for the manager to get an unbiased read from the employees on who is doing the best work. If the manager does it regularly enough, the employees will let down their guard, and the communication will be best. Absent that level of communication, the manager may need a more formal way of ascertaining who might be most talented. The manager might need an independent unit led by a chief talent officer (CTO) who manages the talent. In addition, the company could establish a "Keep Talent Happy Council" headed by a CTO to provide the guidance and training of the management team. If the organization is having a difficult time analyzing, finding, managing, or keeping its most talented people, something along these lines is a good idea.

Treating talents as preferred suppliers by spectacularly compensating them for their spectacular contributions will also change the behaviors of the managers whom you wish to retain. The demand for talent places new demands on management. Managers who attract talent should be on the talent track. Those who repel talent should be somewhere else.

More organizations should have CTOs and talent management councils whose job will be to manage talent effectively inside and outside the organization. CTOs must hire the best, use the best, and keep the best. They manage talent effectively by treating talents as customers, they compensate talents as preferred suppliers, they choose the right talent for right job, they allow talent to focus on creating and applying knowledge, they create an emotional bond by touching the mind and emotions, they embrace a trust culture, they build trust by talking and listening to each other freely, they present positive challenges to their talents to increase their





performance level—where “positive challenges” does not mean criticism or humiliation but rather constructive coaching and encouragement, they provide a continuous learning environment, they focus on performance, they reward talent immediately, they build a culture where talents can turn their dreams into reality, and they create a boundaryless organization where information can flow freely.

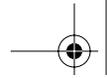
- 4. Identifying Talent** describes three ways to identify visible and hidden talents: (a) notice and identify the obvious talents, (b) use a performance-based identification tool, and (c) use a test-based identification tool.

Talent shortage is often the biggest obstacle to a company’s growth. More companies need to grow their own talent, instead of just hiring talent. Hiring talent away from a competitor creates a war mentality. In fact, the personnel market is often called the “war for talent” because companies are hiring (stealing) talent from their competitors. Some people cast an unmistakable aura of talent. Others are hidden by impersonal company bureaucracies or overbearing bosses. External people may or may not carry a brand as talent. Internal or external, put the obvious talents on the talent track with significant and immediate compensation appropriate to the talent track. When uncertain, go prospecting. Prospecting for scarce, valuable resources is an honorable profession. If your apparent gold turns out to be “fool’s gold,” throw it back and try again.

Year after year, I come across managers who do not know how to identify talented people. Over the years I have met many bright men and women, but management fails to use them effectively. They are frustrated talents and are therefore unproductive talents. If management does not use these talents properly, someone else will. Big benefits come from identifying talents within the company before hiring new employees.

Identifying your own talents before hiring new talents is beneficial because existing talents already know the strengths and weakness of the organization, they are already familiar with the culture, they already know what corrective steps are needed to improve, they take less time in action or implementation of any strategy or idea, and identifying them eliminates recruitment costs. If you still need to hire talent, and





you almost certainly will, visible internal talent will help attract outside talent. Talent attracts talent.

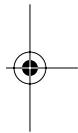
Employees *can* change behaviors: Heads-down, obedient doers of what is asked can explode into dynamic leaders of big ideas that can make big differences to your corporation, if they are given freedom to explore and act; the encouragement to champion new ideas; support in championing ideas when the opposition gets tough; bosses who devote the time and energy to listen for understanding and even work on and add to talent's new ideas; or the experience of being rewarded with a "thank you" for out-of-the-box ideas rather than being chastised for wasting time on dreams—in other words, a whole new environment that fosters creativity, not just the daily grind of executing a project. Such environments have transformed wimps into tigers, really strong, agile talents. The challenge is to find the tigers hiding as wimps. It is certain that there are some such people within your organization. Find them and free them. That is what the TMS is all about.

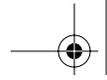
Conversely, all employees have to be accountable for what they do. If some people don't perform, get rid of them. If you want to move fast, you have to get rid of dead weight. You can't afford people who just go to work from 8 to 5, check e-mail, or surf the Net. This is the flip side of what the TMS is all about.

Talents within the organization often stand out as different. Bosses, peers, and subordinates all recognize obvious talents. However, some talents are hidden by the system. Some talents are quiet, unassuming, and mild mannered. Such people are sometimes difficult to identify as talents. In these instances, other assessment tools can be used. The method of identifying talents is to pay attention, notice, explicitly identify them, and put them on the talent track.

## Benefits of the TMS

New management systems that impact human resource practices often frighten management. Management fads don't always work, and getting a management system wrong can take down a company. Enormous benefits and minimal risk need to be shown.

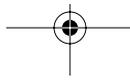


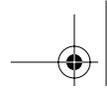


The TMS can quickly transform an organization from an also-ran or a laggard to a world-class leader. The TMS is designed to minimize risk. It is a small overlay on whatever system is in place. The overlay resides primarily with line management, not human resources. Human resources picks up some new administrative responsibilities, such as introducing and maintaining a new system that promotes inequities between talents and others. This is not a new challenge. Hi-po and dual ladder tracks are the norm in manufacturing corporations. The suggested talent track is no different. Special tracks are very manageable when the portion of the population in them is small and clearly distinguished from the general population. By definition, the talent population will always be small because talent is defined by a high level of contribution compared with the level of contribution of the rest of the population. If the overall level of capability rises, the bar for talent status also rises.

The benefits winnow down to winning or losing. In long races, the best talent with the fastest vehicle wins. The vehicle is the corporation. Being fastest means changing faster than the toughest competitors. XYZ analysis, defined in my book, *The Talent Era*, indicates that 60 to 70% of contributions come from 5 to 10% of the employees, the talents. The TMS will create enormous excitement.

1. Management behaviors will immediately change, at least for those you want to keep. The concept of treating talent like customers completely changes the paradigm about the roles of employees and managers. Envision writing a stage play about telling a manager that she is now the supplier of “joy of work” to temperamental customers called talents.
2. The TMS will be a strong magnet for attracting and keeping talent.
3. Nontalents will aspire to become talents. They will seek guidance about how they can improve to be worthy of becoming a candidate for moving to the talent track, hi-po track, or dual ladder track.
4. Hidden talents will become visible. The silent ones will feel safe in coming forward.
5. External talents will be knocking on your door to get in.
6. If you are first or second in creating a significant talent pool among practitioners and managers, then your organization will develop a reputation of being the absolutely best place in the world to work. Then you can further increase your talent pool. Of course, the opportunity to leverage early successes





to spiral up is accompanied by the opportunity to trail behind and spiral down.

7. Talent can go anywhere, and most of them know it. Be the first to make a big splash about your new TMS oriented around treating talent like the customers that they are. Then advertise: “We know that you have more attractive opportunities than you can investigate. So do we. We need more talent. We are truly different. Our very livelihood depends on talent. We are different, we need you, we know we need you, and we will behave in ways that you want us to behave. And that’s different.”
8. Be first. Catch the best talent.

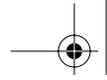
## Challenging Environment

What do talents want and need from your organization? If you already know the answer to this question, then your organization must be brimming with talents. If you enjoy a market leadership position, you have a strong foundation from which you can build faster than your competitors. If, however, you are having difficulty attracting and keeping talents, perhaps it is useful to review the wants and needs expressed by talents from other organizations.

People factors dominate. Talents consistently cite three needs above all others. The first is coworkers and bosses with whom they can develop a mutual respect and trust, learn from, bang around ideas with, and collaborate with. The second most-cited need is freedom from micromanagement. Few people enjoy being overly managed. Talents will not tolerate micromanagement and bosses constantly looking over their shoulder and providing unsolicited “how to” advice. Talents want and need—and often demand—freedom to work, freedom to make mistakes, freedom to learn, freedom to innovate, and freedom to pursue the joy of work. The third key need is freedom from fear. Talents shy away from organizations that exhibit even tiny amounts of fear. Fear is a strong negative attribute, and it instantly repels talent.

Other needs include freedom to pursue ideas and passions; a strong culture of values like honesty, trust, respect, fairness, love, kindness, and compassion; freedom to participate in outside activities such as professional societies or universities to stay current and continue to learn; pay for performance; competitive compensation and in some cases opportunities for large awards for large contributions; and a dynamic, changing organization with a winning attitude.

You can attract talent and manage talent, but the question at the end of the day is, “Are your talented people growing, or do they feel that they



don't need to grow?" This is a growth rule that applies to people who are not talented as well as to people who are talented. Many people are too fearful to challenge their bosses. Historically, this has not been a winning move. Sometimes bosses may not challenge talented people due to lack of knowledge.

Most managers talk about challenge, but few really practice it. When I talk to middle and senior managers, they talk about creating a challenging environment, but when I talk to them individually and ask, "How many times do you challenge your boss? How many times do you say, 'We aren't doing this right, this is the way it should be'?" I don't find that. An environment of fear will stifle the creativity of the people and will allow bad processes to continue. Talented people respond well to positive challenge. Talent has a "what's next?" mentality. If somebody challenges me, I can learn something from it, and I can do something better.

Positive challenges enhance the performance of talent. Challenging someone based on knowledge represents a positive challenge. Sometimes bosses criticize their subordinates without the proper knowledge or data—a negative challenge. When colleagues challenge each other, they learn from each other and share their knowledge. This is a positive challenge.

Positive challenges increase the knowledge of talents. Knowledge grows faster within the company. Intellectual assets appreciate faster. A continuous learning environment is created, bureaucracy is limited, and trust is built, allowing talents to share more with each other.

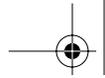
Rather than kiss up to their boss, talents seek to challenge their boss. Some people always want to please their boss by accepting their boss's strategy and directives without question. They always obey their boss—wrong or right. They think that if they blindly follow their boss, they will be rewarded. If talents don't believe what their boss says, they do not accept it.

Every corporation faces competition in every aspect of business, and this competition will only increase in the future. To compete with these outside challenges, organizations need to create an internal challenging environment where talents challenge each other positively and create the right strategy, the right products, and the right services. Positive challenges help a company face challenges from competitive organizations by increasing efficiencies, performance, and knowledge of the people. Positive challenges create better products, strategies, and services. Positive challenges create a sense of urgency to create something better.

To create a challenging environment, organizations must

1. Bury bureaucracy and rigid hierarchy.
2. Try to attract and keep true talents.
3. Create a continuous learning environment.





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4. Reward performance.
5. Remove color, race, age, and gender barriers.
6. Create a fearless environment.

As a manager without challenge, you may not know that what you believe is right. What happens if you do not know the solution to a specific problem? If you have been constantly challenged, you will know whom to go to for the right answers, the honest answers. Challenges help validate or refute beliefs. You have a team whose ideas and opinions you value. The team will help you solve your problem. But when you face a challenge, you will have to prove your viewpoint based on knowledge and performance. Challenge is also a way of finding talent or understanding what level of talent you have in the organization. Nontalents avoid challenge because they fear that if somebody challenges them, and they don't have an answer, they might lose their jobs, or their boss won't be happy. You have probably seen the "I don't know" dance. The challenged person dances all around the question or challenge without responding directly to it in an effort to cover his or her ignorance. You can create an environment that has just the right challenge. Every talent has to be held accountable for performance by earning a high talent score, knowing that the organization needs a high return on talent.

Create an environment with little bureaucracy. Yes, you will still have a boss, but you can open your boss's door or send him or her an e-mail anytime. If you believe you have a better idea than your boss, then your boss should be totally open to it. However, much of the time the boss is not so open to new ideas that challenge his own thinking. He may even withhold rewards for exceptional performance. If people do their jobs much better than expected, they should be rewarded for their performance. When nontalents see that talents are bringing challenges to the environment and that they are being rewarded for it, then the nontalents will either improve or self-select out of the environment.

