

**Team Dynamics**  
**Talent Management**  
**Venture Capital Model**

**Insights for a Venture Capital Talent Management Model**

*(Exploring the C-Suite for Sustainable, Socially Responsible Business Models)*

**By**

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**October 24, 2009**

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## **Introduction**

My idea of a talent management investment model is a simple recipe. Invest in people, sprinkle guidance and direction, give it time, and reap the rewards. But what is not quite as simple are the internal workings of the model. What would that be? Should the model rely on grounded theory or an inductive approach? Which approach makes the most logical sense, the more practical sense? Should the model focus on a social theoretical framework?

Talent management is one of those areas of organizational life that everyone in the organization eventually touches, feel, influence, or experiences. It's amazing that outside of talent management systems or the traditional process map solutions most often found in processes such as sourcing, selection, coaching, mentoring, or rotational programs, not much new has been implied or theorized in terms of ideas around strategy, future orientation, and sustainability. The resource view and contingency views that practitioners focus on appear to be the dominant structures or strategies when it comes to talent management. These theoretical foundations of talent management are reactionary organizational processes that are based on the needs of the moment. Talent management is so much more.

The remainder of this paper attempts to describe the much more, i.e. looking at a capital model of talent management, a venture capital model, and how effective teams can be used to create the nuts and bolts of the model.

## **Capital Model of Talent Management**

Talent management is the holistic and humanistic approach to managing the value of human capital as a business imperative; a paradigm shift toward a participatory cultural talent mindset, action research centered, where as managing the processes, procedures, and technological activities to attract, retained, develop, reward, and exit the human assets of an organization in an ongoing planned effort to add strategic and economic value to a business.

One of my theoretical constructs to talent management is a capital model approach that is borrowed from the idea of assets in economics, where an asset is developed to produce additional benefits. Capital in this sense for talent management means human capital (knowledge), social capital (connections), and psychological capital (emotional). Defining talent management in terms of capital is important because talent management is an intangible yet produces very tangible results such as products, performance or financial accomplishments. Products, performance and financial results can be measured and improved. From a practical standpoint, we can look at theoretical approaches such as systems and contingency theory and create empirical research. For instance much research has already been developed on human capital and psyche capital.

Human capital is defined as the knowledge, skills, abilities, and other organizational competences (Ployhart et al., 2006). It roots came from a persistent framework of attraction-selections-attrition dating back to the mid 1980's (Schneider, 1987). The attraction-selection-attrition model is base on a talent management paradigm that birds of a feather, i.e. knowledge, skills, abilities, and organizational competences, work well together. It's a bottom-up approach that does not take into account

homogeneity across organizational levels or group levels (Ployhart et al., 2006). Research today is taking a more multi-level approach. There is additional research and theory around the transferability of human capital (Sturman et al., 2008). Sturman et al. confirmed that executives received higher forms of compensation if their human capital was transferable. Castanias and Helfat (2001) view human capital as a resource continuum, where the knowledge, experience, skills, and abilities, range from purely specific to purely generic.

There is much research of psychological capital on the dimensional and multi-capital level. Fred Luthans and Carolyn Youssef (2004) are the pioneers of the psychological capital (psych cap) on the dimensional level. Luthan's approach to finding a more correlative approach to competitive advantage provides a blueprint for a measurable capital to talent management. Psychological capital is a positive organizational behavior substance oriented to "human resources strengths and psychological capacities that can be measure, developed, and managed for performance improvement (Peterson and Spiker, 2005)." Whereas Luthan's focus has been on the weighted components of efficacy, hope, optimism and resilience, Peterson and Spiker (2005) combine broader themes in an overall positive psychology perspective though PIES (Psychological capital, Intellectual capital, Emotional capital and Social capital. Peterson and Spike's model adds an emotional capital category with the dimensions of maturity, motivation, social skills, and self-regulation.

## **Investment Model - Venture Capitalist Model**

My ideas about investing in people are not novel. There is much empirical literature on the subject. For instance, there is literature that describes firm wide investment (for example competitive pay) using organizational equilibrium theory that indicated a positive effect on employee morale, labor productivity, and customer satisfaction (Subramony et al, 2008). Perceived investment in employee's development (PIED), coined by Chay Hoon Lee and Norman Bruvold (2003), leads to stronger job satisfaction and employee affective commitment. More research with the PIED model could look at determining if it affects organization capital as well. In addition, other research confirmed that companies who invested more in their human capital exhibited higher levels of human capital (Youndt et al., 2004).

Thomas Keil (2004) looked at how companies were able to continue to adapt to changing environments by building an external corporate venturing capability, or the "firm's ability to utilize external ventures to develop new capabilities and to configure existing capabilities in the process of building new business areas outside of the current business focus of the corporation." At the model's core are learning processes that use learning to leverage both external and internal relationships. Birkinshaw and Hill (2005) use an "open systems" approach creating successful corporate venturing units; this approach encourages ideas and innovation to come from anywhere – inside or outside the company. The authors identified three key factors to success for venture unit performance, i.e. autonomous governance systems, engagement with venture capital

community, and compensation systems geared to objectives. Although there is no debate that a venturing framework works, the means to the end is still up for debate.

However, there is an altruistic-economic side to the venture capital model that naturally aligns itself to sustainability and an appreciative focus. These dimensions must be taken into account because the very nature and structure of venture-investment models tends to be outward-looking, proactive and innovative. Let's examine this line of thought in detail.

In terms of talent acquisition as investment and venture vehicles, companies should maintain the mindset of a traditional venture capitalist approach, with the idea that they are investing in candidates, resources, projects, money, and employment outcomes. This approach seems counter intuitive because it requires upfront financial investment in its talent program, instead of the cost cutting historical approach. Similar to a traditional financial capital model, these resources are outside of the company's control and are managed through a portal, meeting place, or forum; these resources are managed by the candidates, and their interests and desired outcomes. Outside of the company's control is important, for value is often created through a framework of logical analysis that is often outside of the professional function (Boudreau and Ramstad, 2005). That said, the candidates have a fiduciary responsibility to the company's resources, and the entire resource mix behaves as an entrepreneurial extension of the company. The company is responsible for setting up guidelines and objectives that are in its best interests, but the day-to-day management ends there. These minimal structural controls tends to lead to order and goal achievement (Vera and Rodriguez-Lopez, 2007). In addition, the company

should expect to expend managerial, technical, and additional capital as appropriate. Their roles as monitor of the resources becomes evident.

So why is this approach important? Because several dynamics are at work and important in a talent focused venturing-investment model and the model continues to support and promote each of these dynamics. Value creation is one dynamic. There is literature that suggest that value is created at the individual level through the attributes of knowledge, intelligence, and mental acuity (Lepak et al., 2007). Vision, a second dynamic, or a “future ideal solution target” (FIST) is a powerful driver to goal attainment, is another (Nadler and Chandon, 2004). Improvisation is a third dynamic. Improvisation, in terms of core elements such as rotational leadership, setting strategic direction, fluid communication, balancing diversity and cohesion, and determination and resilience, when used appropriately leads to the ability to be more nimble, flexible, responsive, and create (Vera and Rodriguez-Lopez, 2007) – all which are important whys to an venturing model approach. There are other dimensions that can be added to the “why,” such as group learning, motivation, etc. that could also strengthen this theoretical framework.

Why must the venturing-investment model be sustainable? Because that would imply and create a return on investment, which is the only language that senior managers understand. This model sustains itself by continually drawing in the appropriate talent into the company and keeping the potential employees interested and engaged. It requires no more acquisition costs outside its own word of mouth and social networking of the current participants. Not withstanding, the model has a very real objective and goal and probability of generating new products and innovation that the company can capture. Wikipedia.com, an online dictionary, defines sustainability as “the capacity to maintain a

certain process or state indefinitely”. David Cooperrider does not view sustainability in terms of strategic business opportunity and the management of scarce resources as mutual exclusive (Cooperrider, 2003). According to Cooperrider, when you view scarcity, creativity, and business opportunities as ingredients in your soup of issues, you create a powerful positive message for appreciative and sustainable businesses.

Why must the venturing-investment model be appreciative? It must be appreciative to inherently build on a set of skills that a particular company desires, such as management, creativity, innovation, teamwork, etc. After all, knowledge, skills, and abilities are still the building blocks of talent management. In so far as the outcomes of projects are concern, the synergic results could produce immediate income, open up new markets, or resuscitate old product lines. Most important, the model creates a continuous learning environment as a competitive advantage (Hatch and Dyer, 2004) that could only be found in a venture capitalist framework. Appreciative Inquiry also teaches that the key to the success of its methodology is the energy it creates for transformation (Cooperrider, 2003). Everyone who has a stake are instinctively motivated and driven to create that reality. Tom Rath of “Strength Finders” fame indicated that people “are six times as likely to be engaged in their jobs” and “three times likely to report having an excellent quality of life” if they are focused on their strengths. Strength focus is self-focus. This research also corroborates the intrinsic motivation that drives energy in an appreciative approach. If the founding principles of a venture capitalist model are not appreciative, it destroys the very structure of the venture capitalist framework.

Why must the venturing-investment model be outward looking? This appears to go against the grain of what is obvious. To truly appreciate revolution, one needs to look

at what has been considered logical and accepted, and deny that logic (Davis, 1986). For so long, companies viewed themselves as the primary focal point of the employer–employee relationship. This is because companies were the ones who had the work, the opportunity, the benefits, and the compensation. This is a “me first” vision and approach to the employer-employee relationship. Economic theory, and the above research, has shown that an investment first model is useful. A venture capital approach turns the “me first” relationship over (venturing unit stakeholders) and promotes an investment first “outward” view. Surely the investor (company stakeholders) wants performance and return, and there has to be a fiduciary responsibility along with ethics on the part of the venturing unit stakeholders.

## **Venture Capitalist Model – The Model**

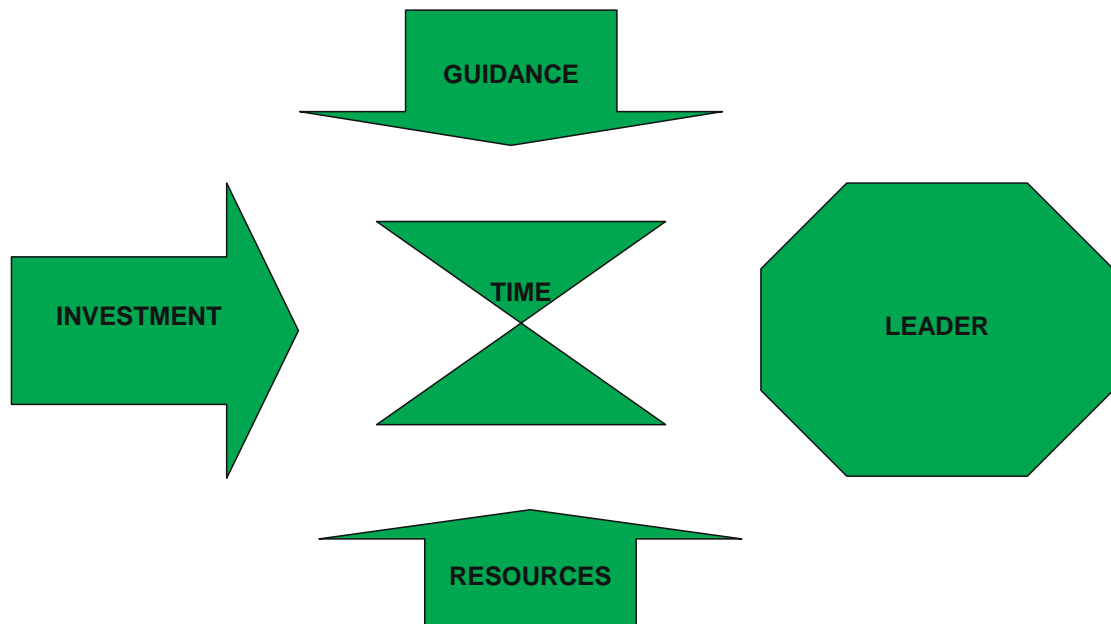
The traditional approach to talent management models, as has mentioned above is based on mostly IT systems approaches or process overload approach. There are numerous applicant tracking systems, human resources management systems, and learning management systems. Continued development of talent management inherently involves how these systems save money in terms of costs and added productivity as operators of the systems are more efficient score keepers and trackers of information. These approaches at best are reactionary and just in time solutions, and has no strategic advantage to effective capitalized on a talent management strategy that is aligned with business and helps business accomplish its short and long term goals.

Not only are these strategies short sighted, past focused, but is also present oriented. For instance, most human resources managers are using historical data in terms of resources allocation to specific business units or progression in compensation or succession planning. These talent management strategies also are prone to errors because the systems simply have to many moving parts, with many stakeholders accessing and supporting systems and thus creating opportunities that are prone to errors. For example, coaching and mentoring is very subjective, present focus, and often does not have the adequate resources, time, or skills for a company to do the job properly. Succession planning is again, subjective, prone to nepotism, present focus, and is error prone in performance management reviews. Outstanding contributor promoted to supervisor, as a strategy, often does not have the supportive development mechanisms in place to retool the new manager with the appropriate skills set. And of course most performance management processes are punitive in nature, such as rewarding and punishing employees, instead of clearing and creating opportunities for development.

So what is missing? How about strategy, future focus, individualized yet systematic attention, and metrics? Keil mentioned in his article “Building External Corporate Venturing Capability” (2004) describes the concept of “venture modeling” as the “firm’s ability to utilize external ventures to develop new capabilities and to configure existing capabilities in the process of building new business areas outside of the current business focus of the organizations.” Taking this concept further, I posit

Figure 1:

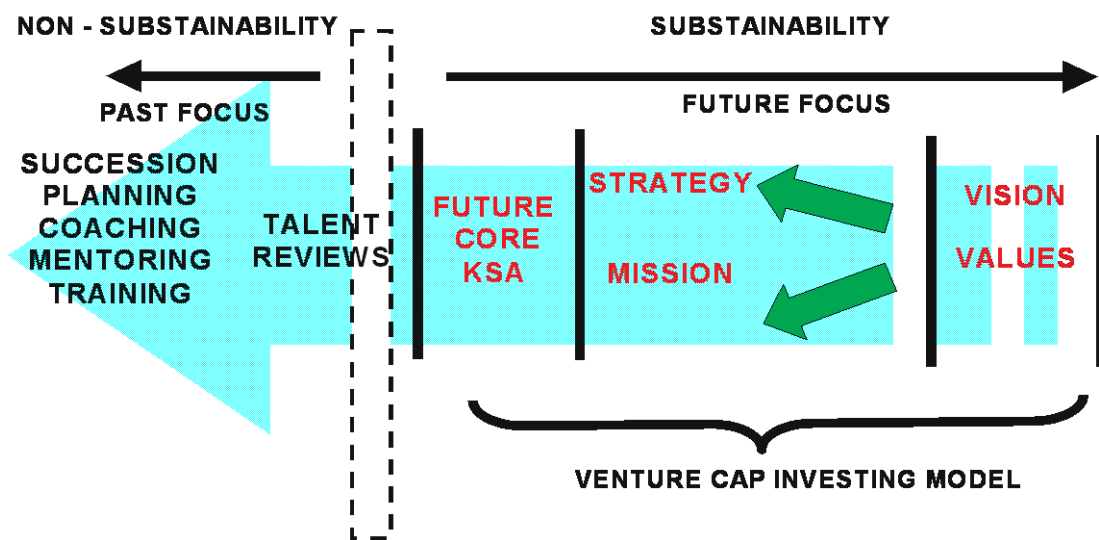
Figure 1. Conceptual Model - Venture Capital Model Talent Management



A venture capital talent management model has 5 components. First there needs to be a financial commitment upfront. This is important for two reasons. One is that a financial commitment gives the company something to measure return on investment against, as in improved financials, improved earning power of the new executive, etc. Two, financial commitment puts more skin in the game for the company and can be a preventive measure of the company pulling the plug on the endeavor. The second component of the model is resources. Financial commitment is one thing, resources in terms of stretched assignments, mentors, coaches, and opportunity cost of not having the person available for a while is important. Guidance is another important component of the model. Guidance needs to be nurtured throughout the whole system, including self-responsibility from the participants themselves. Fourth, the investment does not take place without time. The participants in question will in all sense and purposes, like any

investment, will be unavailable, if the true development of the person is to take place. Finally, the model must be future focused. This is important because future focus means tying the core KSAs developed needs to be those needed 3 to 5 years from now, which means creating an capable, well developed employee for tomorrow, not for today. See Figure 2.

Figure 2. Extended Model - Venture Capital Model Talent Management



For instance, the essence of the venture capital model is future focus. The model is aligned with the visions and values of the company and operationalized in the strategic plan (3-5 years out) and the mission statement. This creates a core set of knowledge, skills, and experience for which the conceptual model as described in Figure 1 grows, builds, and matures. This is sustainable in the sense that as the 3-5 years strategies are continually updated, the future focus KSA's are also updated. Although this model is forward looking, its foundation is supported by traditional talent management strategies.

## **The Engine – Effective Teams**

My first thought about the engine behind this investment model was that of an economic approach. I was considering the concept of the “invisible hand” type of strategy, meaning stakeholders having their best interest at heart create a self-regulating type of approach to the venture capital investment model. Then again, a self-regulating investment approach is inherently flawed due to stakeholders putting their own interests above anyone or anything else. My next thought was that of a systems approach, through a contingency theoretical approach, but concluded that I would not be able to break the constraints of traditional talent management thinking. As I continued to reflect, and as a result of Richard Hackman’s lecture, a venture capital talent model grounded in effective teams seemed more appropriate. The obvious reason is that talent management models essentially have all of the potential pitfalls and astonishing potential of any social system. And since my proposed model can be viewed as collaboration, processes, and interpretation of a social system, the engine of the model should be grounded in social organizational theory.

Hackman (2002) had identified three main criteria for effective teams: (1) that the task output is acceptable to the team, (2) members become increasingly competent in working together, and (3) members’ growth and well-being are fostered by their team experiences. Hackman’s model for effective teams is built on the premise of enabling structure, compelling direction, and real teams. He simplifies his model into the essentials

(real teams, compelling direction, right people) and the enablers (sound structure, supportive context, and team coaching).

Real teams are bounded, interdependent, and stable. That is, real teams have boundaries that are completely understood and accepted by the members of that team, are dependent on each other in appropriate capacities, and that are stable over time. One of the significant indicators of effective teams is that those teams that have a chance to gel create a learning capacity as a group.

Effective teams have a compelling direction, which is define in terms of clarity, challenge, and consequences. Hackman indicated in his research that self-directed teams are most successful because they have clarity of roles and goals. Also, self-directed teams continue to challenge and hold each other accountable, which in itself becomes a self-regulating mechanism of excellence. Furthermore effective teams understand the consequences of both their positive and negative actions, and when functioning well, do their best to accentuate the former and de-emphasize the latter.

The right people are the final piece that makes up for the essentials of an effective team. The right people need to be defined in terms of not only skills and abilities, but also the motivation and desire to be a part of the team. The desire to fit in, get along, aligned one's goals with the team goals are just as important, or even more so than having the abilities to be a part of an effective team.

Hackman's also sites that enablers are critical to effective teams, i.e. structure, context, and team coaching. Enabling structure is a key cornerstone of the Hackman's model. Enabling structures are those functions, processes, and physical attributes that contribute to meaningful tasks, good composition, and clear norms of conduct.

Meaningful tasks in themselves are a catalyst to tying together goals and internal motivation. The composition of the team is also important. If the team's capabilities and resources are not a good composite of skills and resources needed, as well as lower and higher lever synergies of these skills and resources, then the team is prone to failure because it simply lacks the horsepower. Furthermore clear norms or conduct are the parameters that not only keep the teams on course, but clearly signals where the road to behaviors may lead or may not lead.

Supportive context as an enabler can best be describe as the atmosphere in which a team functions. For instance if a team is not taken seriously by the appropriate stakeholders, or someone is out to undermine the team, or if the resources and time or commitment is not there both internally and externally, the supportive context is not helpful for the team to function effectively.

In addition, team coaching is also a very important enabler. Hackman's studies have found that a high performance team without the proper coaching can actually reverse productivity. So team coaching not only becomes an important enabler, in some instances it may be *the* single most important ingredient to teams success.

## **Why Hackman's Model for the Engine?**

Again, Hackman's model provides a model for effective teams, although the venture capital talent model implies individual focus. I posit that the model must be utilized in a way that balances the individual needs with team needs. The reason why is that most times only in a team environment can the most effective individually growth consistently occur. Teams learn from each other. Teams rely on each other. Teams grow from each other. In addition, the concept of the venture capital model is that of a mini organization outside of the company's direct influence, yet which relies on the company's guidance. This outside focus provides all of the prima components as described in Hackman's model for success. For instance, the team has a compelling direction, in which they shape clarity, direction, and consequences of their actions. And with the right people in place, the team themselves craft the enabling structure and context of their existence. What better engine to power up the venture capital model?

Where the model may break down is in the team coaching, and this depends on how an organization sets up the model. Referring back to economics, the venture capital model of talent management could on the one hand be modeled with an "invisible hand" team focus, a classical economic approach, where as the team members themselves provide self-direction. On the other hand, the venture capital model could be supported with "hand on wheel" focus, or Keynesian economic approach, where as the company has the ability to add or make adjustments to the team or model in an effort for optimal productivity.

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