Can You "Day Trade" to Hedge Talent Risk?
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Appeared in CFO Magazine, June 2012

A "VUCA" (volatile, unpredictable, complex and ambiguous) environment will be the norm for the forseeable future. This poses some interesting parallels between the way organizations hedge risk when it comes to financial assets versus talent assets. Can you "day trade" talent to hedge risk?

A forthcoming article in the journal, *Industrial and Organizational Psychology*, by D. Scott DeRue, Susan J. Ashford, and Christopher G. Myers, at the University of Michigan examined "learning agility." They note that research on learning agility is actually relatively sparse, and not uniformly encouraging. There is deeper research on elements of learning agility such as "goal setting, "thinking about thinking," "openness to experience." They present a technical analysis of the most well-known measure of learning agility, suggesting some concerns about what it actually measures, and encouraging more clarity in the definition.

How does research on the psychology of learning agility inform decisions about your portfolio of talent assets?

A diverse portfolio of investments holds some that do well with economic prosperity, some that remain stable under all future conditions, and some that do better in economic downturns. When the actual "future" emerges, one of the assets turns out to be the right bet, and the others do less well. However, this is the price for diversification, and risk hedging. With assumptions about the likelihood of future scenarios, and the payoff of different asset classes in each scenario, finance models can identify a portfolio to achieve a certain return while minimizing risk and volatility.

In "Retooling HR," I noted that portfolio diversification holds lessons for talent management. With talent, organizations might choose to "stay the course" (keep doing what we did before with our talent and hope it works), "bet on the most likely future" (build our talent to fits our most probable scenario), "go generic" (invest in talent attributes like intelligence that apply to many different future situations).

Yet, these scenarios don't tap the power of diversification. Talent diversification would build distinct talent assets for each future scenario. If there is a 60% chance that emerging countries will comprise seventy percent of your revenues in five years, versus a 40% chance that developed countries will comprise that amount of revenue, diversification would suggest building some talent suited for emerging countries and some talent suitable for developed countries. Indeed, if you estimate the payoff of each type of talent under each scenario, you can calculate the proportion of each that will achieve a certain return at minimal risk (see Chapter 2 of "Retooling HR" for an example).

The most frequent question I get from CFO's when I suggest these analogies between talent and financial portfolios is "what do we do with the talent that doesn't fit, when the actual future emerges?"

The desire to avoid having to liquidate or repurpose talent that doesn't fit often leads organizations to the final strategy: Hire and develop talent that possesses "learning agility," and expect them to adjust, once the future becomes clear. I liken this to "day trading" in talent. Like day-trading, this strategy requires being able to identify agile learners, and creating a talent systems and environmental sensing to allow fast changes. Like day-trading, using talent agility to solve the uncertainty problem requires its own very significant investment.

While appealing, the idea of addressing uncertainty with learning agility must be considered in light of the research that suggests we have much to learn about what learning agility is and how to predict it.

Yes, disposing of a non-performing financial asset is easier than laying off or retraining talent. Yet, the potential opportunity cost to organizations that don't diversify their talent portfolio can be immense. Before assuming that learning agility allows day-trading in talent, perhaps consider when it is worth investing in multiple talent assets for multiple futures, and investing in talent systems that create effective transitions for your "non-performing" talent assets.

The paper on learning agility is available here:
http://www-personal.umich.edu/~cgmyers/iop2012_learningagility.pdf

Retooling HR is available here:
http://ceo.usc.edu/book/retooling_hr_-_new_boudreau_bo.html

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