People are the highest form of technology. The human talent in organisations is unmistakably the only competitive factor not easily imitated by competitors. Even when competitors poach employees from each other, they soon realize that the performance of otherwise top performers often vary when the organizational context is changed. A sustained excellence in managing and developing human talent represents a rich area for companies to develop a sustaining competitive advantage.

Many leaders know the importance and value of human resource as an intangible asset. However, few behave in a manner showing that they truly appreciate their worth. The primary source of human talent is human intellect, human energy and human innovativeness. In the past, organisations could reasonably function well with a command-and-control bureaucratic structure. In this 21st century, however, the successful organisations will be those who truly embrace the notion of human talent and apply a more focused and sophisticated approach to managing and developing human capital.

The term “talent” is used to differentiate from the mediocrity of more competent sets and recognizes the varying diversity of people talent in the organisation. In a study published in 1996, McKinsey, a strategy consultancy company, published a study entitled “The War for Talent”. This became quickly the choice management had even today. From interviews with hundreds of managers, McKinsey consultants concluded that building a better talent pool is not about building a better Human Resource department. They claimed that it was not about better training and not about better technology. They argued that it is crucial for leaders and managers at all levels to embrace a “talent mindset”.

Leaders with a talent mindset make talent management a huge and crucial part of their job. They understand it can’t be delegated, so they commit a major part of their time and energy to strengthening their talent pool and helping others in the company to do the same. Finally, leaders with a talent mindset have the passion, courage, and determination to take the bold actions necessary to increase and strengthen their talent pools.

A “talent mindset” is the deep-seated belief that having better talent at all levels is how one can outperform the competitors. It is the belief that better talent is a critical source of competitive advantage. It recognizes that it is better talent that pulls all the other performance levers. For McKinsey, a talent mindset is the catalyst that activates the other talent-building imperatives.

The belief in a “talent mindset” also explains the high premium placed on MBA degrees from top business schools, and why many compensation packages for top executives have become so lavish and out of sync with their own company profits. In the modern corporation, the system is considered only as strong as its “star” employees, the only talent that matters. This talent-myth came crashing down about 2 years ago in a company where McKinsey had conducted twenty separate projects, billing nearly US$10m a year, and where a McKinsey director regularly attended board meetings, and whose CEO himself used to be a McKinsey partner. The company was Enron.

Enron scandal is now compulsory reading in all business schools. Enron was the ultimate “talent” company, whose culture was crafted single-handedly by McKinsey. “The only thing that differentiates Enron from our competitors is our people, our talent,” Kenneth Lay, Enron’s former chairman and CEO, once told the McKinsey consultants when they came to the company’s Houston headquarters. Another senior Enron executive put it to Richard Foster, a McKinsey partner who celebrated Enron in his 2001 book, “Creative Destruction” that...