

12.3: The War for Talent

Learning Objectives

1. Define talent management.
2. Attract the right workers to your organization.
3. Understand how to keep your stars.
4. Understand the benefits of good talent management.

You have likely heard the term, the war for talent, which reflects competition among organizations to attract and retain the most able employees. Agencies that track demographic trends have been warning for years that the U.S. workforce will shrink in the second and third decades of the 21st century as the baby boom generation (born 1945–1961) reaches retirement age. According to one source, there will be 11.5 million more jobs than workers in the United States by 2010. Extreme talent shortage makes competition fierce for key jobs and highlights needs for leadership development. Even though many boomers say they want to (or have to) continue working past the traditional age of retirement, those who do retire or who leave decades-long careers to pursue “something I’ve always wanted to do” will leave employers scrambling to replace well-trained, experienced workers. As workers compete for the most desirable jobs, employers will have to compete even more fiercely to find the right talent.

What Talent Management Means

Peter Cappelli of the Wharton School defines talent management as anticipating the need for human capital and setting a plan to meet it. It goes hand in hand with succession planning, the process whereby an organization ensures that employees are recruited and developed to fill each key role within the company. Most companies, unfortunately, do not plan ahead for the talent they need, which means that they face shortages of critical skills at some times and surpluses at other times. Other companies use outdated methods of succession planning that don’t accurately forecast the skills they’ll need in the future.

Interestingly, however, techniques that were developed to achieve productivity breakthroughs in manufacturing can be applied to talent management. For example, it is expensive to develop all talent internally; training people takes a long time and requires accurate predictions about which skill will be needed. Such predictions are increasingly difficult to make in our uncertain world. Therefore, rather than developing everyone internally, companies can hire from the outside when they need to tap specific skills. In manufacturing, this principle is known as “make or buy.” In HR, the solution is to make *and* buy; that is, to train some people and to hire others from the external marketplace. In this case, “making” an employee means hiring a person who doesn’t yet have all the needed skills to fulfill the role, but who can be trained (“made”) to develop them. The key to a successful “make” decision is to distinguish between the high-potential employees who don’t yet have the skills but who can learn them from the mediocre employees who merely lack the skills. The “buy” decision means hiring an employee who has all the necessary skills and experience to fulfill the role from day one. The “buy” decision is useful when it’s too difficult to predict exactly which skills will be needed in the future.

Another principle from manufacturing that works well in talent management is to run smaller batch sizes. That is, rather than sending employees to 3-year-long training programs, send them to shorter programs more frequently. With this approach, managers don’t have to make the training decision so far in advance. They can wait to decide exactly which skills employees will learn closer to the time the skill is needed, thus ensuring that employees are trained on the skills they’ll actually use.

Attracting the Right Workers to the Organization

Winning the war for talent means more than simply attracting workers to your company. It means attracting the *right* workers—the ones who will be enthusiastic about their work. Enthusiasm for the job requires more than having a good attitude about receiving good pay and benefits—it means that an employee’s goals and aspirations also match those of the company. Therefore, it’s important to identify employees’ preferences and mutually assess how well they align with the company’s strategy. To do this, the organization must first be clear about the type of employee it wants. Companies already do this with customers: marketing executives identify specific segments of the universe of buyers to target for selling products. Red Bull, for example, targets college-age consumers, whereas SlimFast goes for adults of all ages who are overweight. Both companies are selling beverages but to completely different consumer segments. Similarly, companies need to develop a profile of the type of workers they want to attract. Do you want entrepreneurial types who seek autonomy and continual learning, or do you want team players who enjoy collaboration, stability, and structure? Neither employee type is inherently “better” than another, but an employee who craves autonomy may feel constrained within the very same structure in which a team player would thrive.

Earlier, we said that it was important to “mutually assess” how well employees’ preferences aligned with the company’s strategy. One-half of “mutual” refers to the company, but the other half refers to the job candidates. They also need to know whether they’ll fit well into the company. One way to help prospective hires make this determination is to describe to them the “signature experience” that sets your company apart. As Tamara Erickson and Lynda Gratton define it, your company’s signature experience is the distinctive practice that shows what it’s really like to work at your company.

For example, here are the signature experiences of two companies, Whole Foods and Goldman Sachs: At Whole Foods, team-based hiring is a signature experience—employees in each department vote on whether a new employee will be retained after a 4-week trial period. This demonstrates to potential hires that Whole Foods is all about collaboration. In contrast, Goldman Sachs’s signature experience is multiple one-on-one interviews. The story often told to prospective hires is of the MBA student who went through 60 interviews before being hired. This story signals to new hires that they need to be comfortable meeting endless new people and building networks across the company. Those who enjoy meeting and being interviewed by so many diverse people are exactly the ones who will fit into Goldman’s culture.

The added benefit of hiring workers who match your organizational culture and are engaged in their work is that they will be less likely to leave your company just to get a higher salary.

Keeping Star Employees

The war for talent stems from the approaching shortage of workers. As we mentioned earlier in this chapter, the millions of baby boomers reaching retirement age are leaving a gaping hole in the U.S. workforce. What’s more, workers are job-hopping more frequently than in the past. According to the U.S. Bureau of Labor Statistics, the average job tenure has dropped from 15 years in 1980 to 4 years in 2007. As a manager, therefore, you need to give your employees reasons to stay with your company. One way to do that is to spend time talking with employees about their career goals. Listen to their likes and dislikes so that you can help them use the skills they like using or develop new ones they wish to acquire.

Don’t be afraid to “grow” your employees. Some managers want to keep their employees in their department. They fear that helping employees grow on the job will mean that employees will outgrow their job and leave it. But, keeping your employees down is a sure way to lose them. What’s more, if you help your employees advance, it’ll be easier for you to move up because your employees will be better able to take on the role you leave behind.

In some cases, your employees may not be sure what career path they want. As a manager, you can help them identify their goals by asking questions such as:

- What assignments have you found most engaging?
- Which of your accomplishments in the last six months made you proudest?
- What makes for a great day at work?

What Employees Want

Employees want to grow and develop, stretching their capabilities. They want projects that engage their heads as well as their hearts, and they want to connect with the people and things that will help them achieve their professional goals. Deloitte Research. (2007). It’s Do you know where your talent is? why acquisition and retention strategies don’t work. Geneva, Switzerland: Deloitte-Touch Research Report. Here are two ways to provide this to your employees: First, connect people with mentors and help them build their networks. Research suggests that successful managers dedicate 70% more time to networking activities and 10% more time to communication than their less successful counterparts. What makes networks special? Through networks, people energize one another, learn, create, and find new opportunities for growth. Second, help connect people with a sense of purpose. Focusing on the need for purpose is especially important for younger workers, who rank meaningful work and challenging experiences at the top of their job search lists.

Benefits of Good Talent Management

Global consulting firm McKinsey & Company conducted a study to identify a possible link between a company’s financial performance and its success in managing talent. The survey results, reported in May 2008, show that there was indeed a relationship between a firm’s financial performance and its global talent management practices. Three talent management practices in particular correlated highly with exceptional financial performance:

- Creating globally consistent talent evaluation processes.
- Achieving cultural diversity in a global setting.

- Developing and managing global leaders.

The McKinsey survey found that companies achieving scores in the top third in any of these three areas had a 70% chance of achieving financial performance in the top third of all companies.

Let's take a closer look at what each of these three best practices entail. First, having consistent talent evaluation means that employees around the world are evaluated on the same standards. This is important because it means that if an employee from one country transfers to another, his or her manager can be assured that the employee has been held to the same level of skills and standards. Second, having cultural diversity means having employees who learn something about the culture of different countries, not just acquire language skills. This helps bring about open-mindedness across cultures. Finally, developing global leaders means rotating employees across different cultures and giving them international experience. Companies who do this best also have policies of giving managers incentives to share their employees with other units.

Key Takeaway

The coming shortage of workers makes it imperative for managers to find, hire, retain, and develop their employees. Managers first need to define the skills that the company will need for the future. Then, they can “make or buy”—that is, train or hire—employees with the needed skills. Retaining these employees requires engaging them on the job. Good talent management practices translate to improved financial performance for the company as a whole.

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