

6.47: The Global War for Talent

Learning Objectives

1. Define talent management.
2. Discover how to attract the right workers to your organization.
3. Understand the benefits of good talent management.

What Talent Management Means

You have likely heard the phrase “the **war for talent**,” which reflects competition among organizations to attract and retain the most able employees. For years, agencies that track demographic trends have been warning that the US workforce will shrink in the second and third decades of the twenty-first century as the baby boom generation (those born between 1945 and 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,” *Business Wire*, November 26, 2007, 27. Even though many boomers say they want (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 force employers to scramble 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.

Peter Cappelli of the Wharton School defines **talent management** as anticipating the need for human capital and setting a plan to meet it. Talent management goes hand in hand with **succession planning**, which refers to the process of recruiting and developing employees to ensure that the key roles in the company are filled. Peter Cappelli, “Talent Management for the Twenty-First Century,” *Harvard Business Review* 86, no. 3 (March 2008): 74–81. Most companies, unfortunately, don’t 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 Other companies use outdated methods of succession planning that don’t accurately forecast the skills they’ll need in the future.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’s expensive to develop all talent internally; training people takes a long time and requires accurate predictions about which skills 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 human resources management (HRM), 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 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. Patricia M. Buhler, “Managing in the New Millennium; Succession Planning: Not Just for the C Suite,” *Supervision* 69, no. 3 (2008): 19–23.

Ethics in Action

One month after launching in Kenya, start-up txteagle became one of the country’s largest employers with a workforce of 10,000 Kenyans. Kate Greene, “Crowd-Sourcing the World,” *MIT Tech Review*, January 21, 2009, accessed January 23, 2011, www.technologyreview.com/business/21983. Nathan Eagle founded txteagle in 2008. Txteagle deconstructs work into microtasks that can be performed on any simple mobile phone through texting. For example, one task is to type in local road signs (the data will be used to create a satellite navigation system). Robert Bain, “The Power of Text in the Developing World,” *Research*, January 20, 2011, accessed May 17, 2011, <http://www.research-live.com/features/the-power-of-text-in-the-developing-world/4004395.article>. Txteagle is similar to Amazon’s Mechanical Turk (mTurk), which also asks workers to complete microtasks such as clicking on photos that contain a particular object. The difference is that workers for txteagle only need a simple mobile phone—no computer or Internet access is necessary. Txteagle distributes the microtasks to thousands of workers (currently primarily in Africa) who complete them and get paid via the mobile phone either in airtime minutes or in cash through the M-Pesa service. Andrea Meyer, “Workforce Innovation: How Txteagle Distributes Microtasks Worldwide,” *Working Knowledge* (blog), January 23, 2011, accessed January 23, 2011, <http://workingknowledge.com/blog/?p=1444>; Jessica Vaughn, “Q&A: Nathan Eagle, Founder of txteagle,” *JWT Intelligence*, March 3, 2010, accessed January 23, 2011, www.jwtintelligence.com/2010/03/qa-nathan.

eagle-founder-of-txteagle. “Txteagle is a commercial corporation that enables people to earn small amounts of money on their mobile phones by completing simple tasks for our corporate clients,” says Eagle.Jessica Vaughn, “Q&A: Nathan Eagle, Founder of txteagle,” *JWT Intelligence*, March 3, 2010, accessed January 23, 2011, www.jwtintelligence.com/2010/03/qa-nathan-eagle-founder-of-txteagle.

Txteagle now has partnerships with 220 mobile operators in more than eighty countries. “Mobile Work,” *Economist*, October 28, 2010, accessed January 23, 2011, <http://www.economist.com/node/17366137>. This expands txteagle’s reach to 2.1 billion cell phone users in sub-Saharan Africa, Brazil, and India, who can all participate as workers. Txteagle website, accessed January 23, 2011, txteagle.com. Currently, the firm earns revenues in forty-nine countries. Companies like txteagle and mTurk give citizens in poor countries an opportunity to get work. But some Westerners criticize mTurk because employers can reject a person’s work without explanation. The pay scale is also very low—about twenty-four cents an hour, which makes some critics call mTurk a “digital sweatshop.” Bryan Walsh, “Pennies for Your Thoughts,” *Time*, January 31, 2011, accessed January 31, 2011, www.time.com/time/magazine/article/0,9171,2043450,00.html. For workers in developing nations, however, where wages are low and unemployment rates are high, such wages may be better than the alternative of no work.

Another principle from manufacturing that works well in talent management is to run smaller batch sizes. Mason Carpenter, Talya Bauer, and Berrin Erdogan, *Principles of Management* (Nyack, NY: [Unnamed Publisher](#), 2009), accessed January 5, 2011, www.gone.2012books.lardbucket.org/printed-book/127834. That is, rather than sending employees to three-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, thereby 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 Slim Fast 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,” but an employee who craves autonomy may feel constrained within the very same environment in which a team player would thrive.

As stated earlier, it’s important to “mutually assess” how well employees’ preferences align with the company’s strategy. Half of “mutual” refers to the company, but the other half refers to the job candidate. Potential employees need to know whether they’ll fit into the company well. 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. Tamara J. Erickson and Lynda Gratton, “What It Means to Work Here,” *Harvard Business Review* 85, no. 3 (2007): 23–29.

Here are the signature experiences of two companies—Whole Foods Market 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 four-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 sixty interviews before being hired. This story signals to new hires that they need to be comfortable meeting endless numbers of 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 mentioned earlier in this chapter, the millions of baby boomers reaching retirement age are leaving a gap in the US workforce. What's more, workers are job-hopping more frequently than in the past. According to the US Bureau of Labor Statistics, the average job tenure has dropped from fifteen years in 1980 to four years in 2007. As a manager, therefore, you need to give your employees reasons to stay with your company. One way to do this is to spend time talking with employees about their career goals. Listen to their likes and dislikes so that you can help them fully utilize the skills they like using or develop the new ones they wish to acquire. Beverly Kaye, *Love 'Em or Lose 'Em* (San Francisco: Barrett-Koehler, 2008).

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 jobs and leave. Anne Field and Ken Gordon, "Do Your Stars See a Reason to Stay?," *Harvard Management Update* 13, no. 6 (2008), hbr.org/product/do-your-stars-see-a-reason-to-stay/an/U0806A-PDF-ENG. However, 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 the following:

- 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? Timothy Butler, *Getting Unstuck* (Boston: Harvard Business School Press, 2007).

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, *It's 2008: Do You Know Where Your Talent Is? Why Acquisition and Retention Strategies Don't Work* (Geneva, Switzerland: Deloitte Research Report, 2007), accessed May 10, 2011, www.deloitte.com/assets/Dcom-Venezuela/Local%20Assets/Documents/VE_Consulting_HC_connect_talentmgmt_Feb07.pdf. 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 percent more time to networking activities and 10 percent more time to communication than their less successful counterparts. Fred Luthans, Richard M. Yodgetts, and Stuart A. Rosenkrantz, *Real Managers* (Cambridge, MA: Ballinger, 1988). What makes networks special? Through networks, people energize one another as well as 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. Peter Sheahan, *Generation Y: Thriving (and Surviving) with Generation Y at Work* (Victoria, Australia: Hardie Grant Books, 2006).

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 "McKinsey Global-Talent-Management Survey of Over 450 Executives," December 2007, as cited in Matthew Guthridge and Asmus B. Komm, "Why Multinationals Struggle to Manage Talent," *McKinsey Quarterly*, May 2008, 19–25, accessed January 30, 2009, www.mckinseyquarterly.com/article_print.aspx?L2=18&L3=31&ar=2140.

The McKinsey survey found that companies achieving scores in the top third of any of these areas had a 70 percent chance of achieving financial performance in the top third of all companies. Matthew Guthridge and Asmus B. Komm, "Why Multinationals Struggle to Manage Talent," *McKinsey Quarterly*, May 2008, 19–25.

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 through different cultures, giving them international experience. Companies that do this best also have policies of giving managers incentives to share their employees with other units.

KEY TAKEAWAYS

- 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 into improved financial performance for the company as a whole.

EXERCISES

(AACSB: Reflective Thinking, Analytical Skills)

1. How might a manager go about identifying the skills that the company will need in the future?
2. Describe the “make or buy” option and how it can be applied to human resources management.
3. How would you go about attracting and recruiting talented workers to your organization? Suggest ideas you would use to retain stars and keep them happy in their jobs.
4. What skills might an organization like a bank need from its employees?

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