

**What happened to The War For
Talent exemplars?**

**And what went wrong with
best practice?**

The management of Enron did exactly what the consultants at McKinsey said that companies ought to do in order to succeed in the modern economy. It hired and rewarded the very best and the very brightest - and it is now in bankruptcy.

Malcolm Gladwell



Overview

In 2001 the book *The War For Talent* outlined an authoritative blueprint to help organisations build “a whole new approach to talent management”.

Based on the claim of a rigorous research methodology and evidence base, the book’s appeal was the link between its five imperatives of progressive practice in talent management and superior levels of corporate performance.

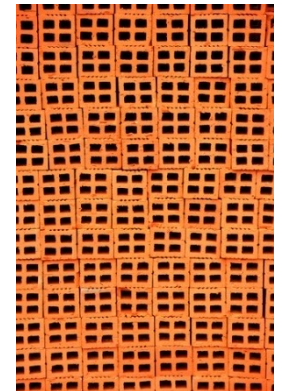
There is good reason to be sceptical of the claims made in *The War For Talent*. The five tenets of talent management 15 years on seem not so much a solution to improved performance, but a dynamic that may in fact have weakened organisational competitiveness.

In our review of the organisations featured in *The War For Talent* we conducted an in-depth analysis of the 100 plus firms - focusing on the 27 showcase exemplars - to evaluate their recent and current corporate performance in 2013.

The talent management practices outlined in *The War For Talent* did not seem to improve competitive success. Indeed, the talent management formula adopted by the exemplars may have made business decline and failure more not less likely.

We suggest what went wrong, and how organisations need to shift their thinking to adapt to talent management realities. We argue that the attempt to implement the standard package of best practice explains the current frustration from practitioners and senior executives about the low business impact of talent management¹.

We propose how a combination of strategic positioning and tactical excellence based on the “if - then” principle and **distinctive talent management**² is needed to design and implement responses that provide sustainable solutions to different business challenges.



The War For Talent: a blue print for corporate success?

In 2001 a book “The War For Talent” posed a question:

“How strong is your talent pool?”

The answer, the authors claimed, would **“determine your company’s long-term success.”**

Organisations in the early 2000s, keenly aware of a shift in workforce demographics, changes in the nature of work, and the intensity of business competition, appeared to have found a solution to the talent challenges they faced³.



The War For Talent provided a blue print for talent management that was:

“fortified by five years of in-depth research on how companies manage leadership talent, including surveys of 13,000 executives at more than 120 companies and case studies of 27 leading companies”

The book promised to be the “definitive strategic guide on how to win the war for talent”. It quickly became the new bible for an emerging generation of talent management professionals who took inspiration from the progressive practices of successful firms:

- **develop a talent mind set:** build an obsession with people to drive business performance
- **create an employee value proposition:** review current employment practices to create an environment which attracts talent and allows it to flourish
- **rebuild your recruitment strategy:** be proactive in the search for talent at every level
- **accelerate the development of talent:** look for imaginative way to test and stretch emerging talent
- **differentiate and affirm your people:** encourage honesty in rewarding superior performance and tackling performance problems

The War For Talent: a blue print for corporate success?

The research claim:

“the companies that scored in the top quintile of our talent management index earned on average, 22% higher return to share holders than their industry peers. The companies that scored in the bottom quintile earned no more than their peers.”

The authors noted that many factors drive shareholder return, but argued this research presents:

“compelling evidence that better talent management results in better performance.”

It was this research - and specifically the cause-effect claim that the implementation of this blue print of talent management would improve the odds of business success - that gave the authors the confidence to claim that adopters of the five imperatives of talent management could:

“expect huge impact in a year”, and if “you don’t you are not being sufficiently aggressive.”

The examples from the showcase firms profiled in the book seemed to provide reassuring support:

“SunTrust increased its growth rate from 4% to 10% in one year, primarily through more and better people”; “Perkin Elmer tripled its market value in less than 2 years by strengthening its management ranks whilst restructuring the business” and, “Synovus’s market capitalization grew from \$2.2 billion to \$8 billion over four years.”

The War For Talent book was also accompanied with positive endorsements from the business community:

Jim Robbins, President and CEO of one of the featured companies, Cox Communications, said the book: “hits the sweet spot in today’s competitive environment. The War For Talent is a must read for any CEO.”

Daniel Vasella, Chairman and CEO at Novartis: “this book describes five powerful principles that are applicable in any company and in any country for winning the war for talent.”

Kenny Feld of Contrado: “filled with clear timeless philosophies, this book combines practicality with heart to give leaders a real guide to leveraging a company’s ultimate competitive advantage - the talent of its people.”



Early misgivings about The War For Talent

Within the initial enthusiasm, there were some notes of caution not least from Jeffrey Pfeffer who analysed its conclusions against the academic evidence base, and Malcolm Gladwell in a 2002 New Yorker article, *The Talent Myth*⁴.

Gladwell summarised *The War For Talent* position:

“the very best companies had leaders who were obsessed with the talent issue. They recruited ceaselessly, finding and hiring as many top performers as possible. They singled out and segregated their stars, rewarding them disproportionately, and pushing them into ever more senior positions.”

Gladwell outlined how this shift in talent mind set became the operating model for talent management in the early 2000s: “find the best, promote them quickly and pay them extraordinarily well.”

And he described the ultimate talent company, an organisation that had followed the McKinsey talent management prescription, and had received prominent exposure in the book: Enron, an organisation that had gone from a *“stodgy gas pipeline firm into a world-class risk management player - parlaying those skills into a \$55 billion empire.”*

The five tenets of a “whole new approach to talent management” became a grotesque caricature at Enron:

- developing a talent mind set, the sensible belief that people make a difference, became an obsession that individual contribution is the driver of business success. For Enron, whatever the “smartest guys in the room” touched would turn to business gold.
- creating an employee value proposition should be the review of current employment practices to build an environment in which talent can flourish. For Enron it created a “them and us” culture in which the “super stars” flourished and others were ignored.
- rebuilding the recruitment strategy is proactivity in the search for talent at every level. For Enron it was a resourcing plan to buy in the “best, bright and beautiful” at inflated salaries that undermined continuity of culture and purpose.
- accelerating the development of talent is finding imaginative ways to test and stretch emerging talent. In Enron it resulted in the over-promotion of inexperienced individuals who got out of their depth and simply weren’t up to the challenge.
- differentiate and affirm your people could have led to greater honesty in rewarding superior performance and tackling performance problems. Instead for Enron it created a “rank-and-yank” performance management strategy played out in talent reviews that became known as the “pit of vipers”, fuelling suspicion, self-seeking behaviour, a breakdown of trust and ultimately corruption.

15 years on and The War For Talent firms revisited

Was Enron, one of those embarrassing exceptions that every research programme will identify at one point or another?

After all, it wasn't just The War For Talent that had praised Enron for its progressive practices. It had been rated by Fortune as "the most innovative company" for six years running, from 1995 through 2000, and the second best company for "employee talent".

Or was Enron, as Gladwell suggested, part of a more worrying pattern in which The War For Talent's exemplary talent management practices were in fact part of the problem?

As he speculated over 10 years ago:

"what if Enron failed not in spite of its talent mind set but because of it."

It will be useful then to look beyond Enron, and the dynamics that underpinned the specifics of one business fiasco to evaluate the full spectrum of firms that were highlighted in the original War For Talent research.

15 years on, we review the 106 companies⁵ identifiable from the research to look at the total War For Talent listing, and the 27 showcase companies that were "high performing and had a reputation for strong talent".

These were the firms that the McKinsey research highlighted as exemplars of progressive talent management practice, and drew on extensively as case studies throughout the book.



The big questions

What has been the performance trajectory for the overall group of The War For Talent firms?

Did the 27 showcase companies - *“studied as part of the 1997 or 2000 research or expressly for the purpose of this book”* - go on to win the war for talent and out-perform their business rivals?

Did the talent management practices identified in the McKinsey research drive corporate success? Are these the practices displayed by those who have continued to thrive 15 years later?

Or did Malcolm Gladwell spot the problem 10 years ago? Did the adoption of the talent management practices advocated in The War For Talent in fact increase the likelihood of business decline and failure?

If they did, why? And what are the practical implications for organisations in rethinking their approach to talent management, and implementing the kind of responses that are now needed to compete?

“Only when the tide goes out do you discover who’s been swimming naked.”

Warren Buffett



What happened to The War For Talent firms?

We conducted an initial scan of the 106 firms⁶ to determine their current business status in 2013. At this first cut, **one third** of the total research group dropped out of the sample.

These we call **the Disappeared**⁷. For those firms which had “disappeared” we analysed their corporate history, and evaluated the reasons for their disappearance. In a handful of cases, complex changes in diversification and shifts in ownership made 2013 comparisons with the 1997-2000 firm unrealistic (e.g. Philip Morris). For other firms their disappearance (acquisition by a bigger rival, e.g. DoubleClick, HotJobs) was in all likelihood an indication of their business success.

But in many other instances their disappearance was the result of any permutation of strategic misjudgement, management incompetency or dubious business ethics (e.g. Baan, Eckerd, Enron, May Department Stores, Merrill Lynch, Micro Warehouse, National Service Industries, Service Merchandise).

Looking at the dynamics of the Disappeared, we estimate that **around half of these firms** owe their disappearance less to business success (or bad luck) and more to leadership failing.

“During the Senate hearings investigating the Enron debacle, one senator observed to Jeff Skilling, the former CEO of Enron that, “Enron looks to me like the captain of the Titanic who gave himself a bonus, then lowered himself and the top folks down in the life boat and then hollered up and said, “By the way everything’s going to be just fine”.

Skilling’s response: “I think it’s a pretty bad analogy Senator because I wasn’t on the Titanic. I got off in Ireland.”

What happened to The War For Talent firms?

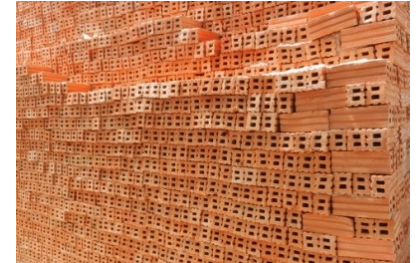
For the remaining firms we conducted a detailed analysis that included:

1. Changes to their original positioning (1997 or 2000) within Fortune 500 listings⁸. As another check we also rolled back a couple of years to check trends in 1995 on the assumption that the McKinsey research, although conducted in the late 90s, began reviewing exemplar firms in the mid 90s.

2. Detailed financial profile. This analysis included a comparative analysis of each firm's 5 year share price performance against the S & P 500 Index; peer analysis with their industry rivals against fundamental financial data⁹; and the consensus from the investment community about the firm's future.

3. Employee perceptions. We accessed Glassdoor reviews as a proxy measure of engagement and confidence in the organisation's leadership and future business outlook. This followed the logic that progressive talent management firms would on balance be regarded more positively by their employees¹⁰.

This evaluation triggered another round of tests to identify those firms that demonstrate superior levels of performance, growth, profitability and return on investment 10 - 15 years after the initial War For Talent analysis.



The Disastrous

The next test removed those companies whose business performance since the late 1990s has been shockingly bad. Although we followed the authors' utilisation of total return to shareholders as the comparator metric, we also accessed return on asset ratios as another check on the trajectory of their business performance.

This test **eliminated another 18% of firms** from the total sample. This included a range of companies in different sectors (e.g. Alcoa, Avery Dennison, Key Corp, Nacco Industries).

Of course we can point to any number of factors, not least the global financial crisis of 2008 to explain why many firms in the research have suffered badly. But here we can also ask: why did some firms navigate through economic difficulties whilst others hit the rocks? And why have some of the featured talent management exemplars (Sears, SunTrust Banks, Synovus) performed so badly?

Some of these organisations will no doubt recover in a more positive economic environment, but as of 2013, the last 10 - 15 years has been a period to forget for this set of companies.



“The future looks bleak for Sears Holdings. One hundred and twenty Sears and Kmart stores are planned to close as a result of poor sales, and consumers voted the company one of the most likely to completely disappear by 2015.”

The Disappointing

The next test was to spot the Disappointing, those firms with lack lustre business performance.

For this grouping, the last 10-15 years has been an era of either unfulfilled promise or business difficulty. This test **eliminated another 16%** from the total sample.

Some of the Disappointing, it should be noted, were not all that remarkable in the first place despite their inclusion in the research programme.

Others, and several famous organisations appear in this list (e.g. General Electric, Hewlett Packard) and much heralded within the talent management industry, failed to sustain the growth, profitability and shareholder return that was promised in the late 1990s, and now face major criticism from the investment community.



“Former General Electric chief executive Jack Welch said that he would “get a gun out and shoot” his successor, Jeff Immelt, if he allowed GE to miss earnings targets again. “Just deliver the earnings.”

The remark showed the depth of his ire at GE's announcement on Friday that profit fell 6% in the first quarter from last year.

ABC News

The Done OKs

The next test identified the Done OK firms. Here the performance levels reported in the late 1990s have stalled and investment returns have been much more modest.

But these companies have largely held their own vis a vis their industry peers. This group **represents 10%** of the total The War For Talent sample.

For some in this group (e.g. Campbell Soup) the last decade or so has been something of a roller coaster ride. For others, it has been a period of respectable if unremarkable performance in contrast to the results of the late 1990s.



The Deliverers

The final group is the **Deliverers**, that category of firm which built on their achievements in the late 1990s and sustained high performance to display positive growth and profitability in 2013.

Like all the other firms in the original sample they too faced challenge and adversity, but have proved more resilient and versatile in overcoming economic turbulence and competitive threat.

This group makes up **23% of the total sample**. It includes some well-established firms like Abbott Laboratories, Allied Signal (now Honeywell), Chevron, Medtronic and Merck who have continued to excel.

The Deliverers also incorporate some smaller firms that, from a relatively low base rate in the late 90s went on to achieve excellent levels of profitability, ROA and investment returns (e.g. EMC and Intuit).



The War For Talent: a summary of the total group

In summary, of a total group of 106 organisations:

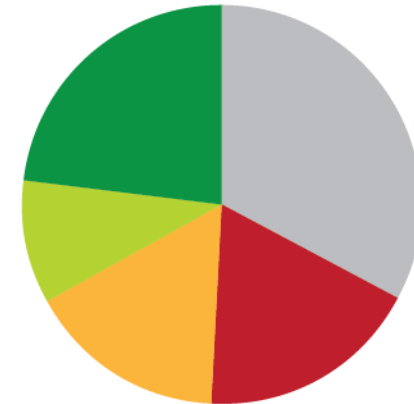
33% have vanished from the business landscape, at least in comparison to their late 1990s pattern of ownership, and **a half of these firms seem to owe their Disappearance** to their own strategic ineptitude or leadership folly.

18% of the group represent business Disasters, and whose future fame probably resides within the library of business school case studies that profile corporate decline and failure.

A further 16% of the research sample has been **Disappointments**, failing to deliver respectable profitable returns. They have survived the last decade, but for the most part, they anticipate significant business change and restructure to regain their position and restore their earlier fortunes.

10% of the group have Done OK to stay in the game and continue to deliver reasonable levels of performance. Using the authors' preferred metric of total shareholder return, performance and investment return for these firms compares unfavourably however with their achievements in the late 90s and early 2000s. Nonetheless these organisations largely retain the respect of the business and investment community.

The **Deliverers**¹¹ - the group that has fared relatively well in the business battle field of the last 10 - 15 years - **represent a quarter of the total group**.



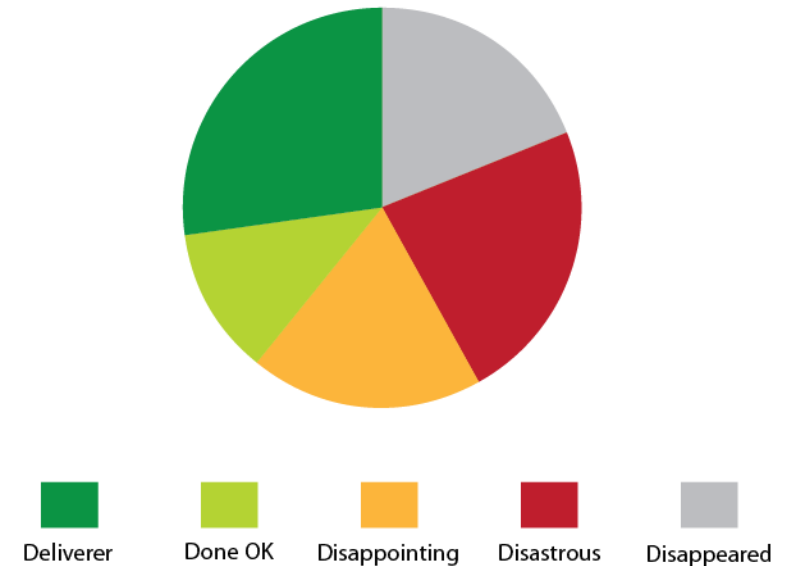
What happened to the 27 showcase exemplars?

This was the group of progressive talent management companies, a set of organisations that drew on 20 firms surveyed in the 1997 and 2000 research samples, and a further 7 organisations where the inclusion criteria are undefined. This is the group the authors highlighted as: *“companies we can learn from”*.

Again, we classified these firms into the Disappeared, the Disastrous, the Disappointing, the Done OKs and the Deliverers based on available data in 2013.

7 of the 26 firms - around **a quarter** of the group had continued to deliver decent levels of profitability and investment return in 2013.

But 12 of the organisations - **almost a half - in the showcase sample had either disappeared for negative reasons, or posted disappointing or disastrous profitability and investment returns over the last 5 years.**



Which firms in The War For Talent book were and weren't profiled?

“If page coverage of talent management exemplars in *The War For Talent* in 2001 represented a predictive analytic of business outcomes in 2013, its accuracy lay in forecasting relative failure, not success.

This analytic failed to predict those organisations which have thrived over the last 10 - 15 years.

In a follow on analysis we identified those firms that were described and profiled in detail in the book. Here we tracked references per page, and rank ordered each profiled firm as a % of the overall book's coverage.

18% of the 106 firms we included in this analysis were profiled in detail¹².

Organisations that can be categorised in 2013 as relative failures - disappeared of their own making, disastrous or disappointing - were **almost twice as likely to be profiled in the book for their innovative best practices than those companies that end up as relative successes in 2013.**

Conversely, of the firms that had Delivered by 2013, less than a handful received **any coverage in The War For Talent case studies.**

The firms that were profiled in depth in The War For Talent analysis in 2001 were more likely to have disappointed or failed in 2013. The organisations that by 2013 thrived went largely unnoticed in the book's evaluation of progressive talent management practices.



Summary of “The War For Talent analysis

The authors of “The War For Talent” reasonably point out that:

“some of our case study companies will undoubtedly fall on hard times in the years ahead, for success is not assured solely through managing talent well.”

There are no sure winners in the prediction of future business success.

The troubling finding from this evaluation is not that less than a quarter of the total sample of The War For Talent firms have managed to sustain performance over the last decade or so. It has been a turbulent period¹³. However few readers in 2001 would have anticipated that almost half of the group would have disappeared for reasons of their own making, or been disasters or disappointments in less than 15 years.

The most significant finding from this evaluation has been the business performance of the group of 27 showcase firms. **The proactive adopters of the imperatives of The War For Talent have fared relatively worse over the last 10 - 15 years.**

“It's bad enough that fighting the "war for talent" has companies fighting the wrong war, often using the wrong methods. But there is an even worse problem, namely the consequences that are unleashed by even waging the talent war in the first place.

Jeffrey Pfeffer



What happened?

A bold claim was made in *The War For Talent*: the adoption and implementation of the five imperatives would deliver superior levels of business performance.

Although based on US firms, the claim was not limited to US organisations:

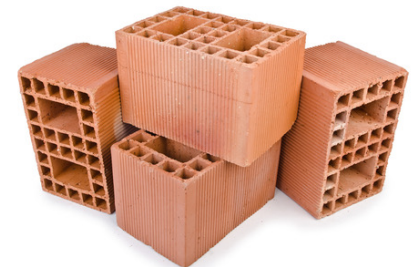
“we believe that the principles in this book can be applied elsewhere... with some tailoring to local cultures and practices, the principles are equally applicable.”

This has not been demonstrated from the evidence base. More likely the implementation of this talent management formula has weakened corporate competitiveness.

Why?

There seem four principal causes:

- the **sampling problem**; not looking at long-term success in the first place
- the **prediction problem**; relying on correlational analysis to make projections of future performance
- the **five imperatives problem**; mistaken assumptions about talent and its management
- the **strategic problem**; one size talent management does not fit all



Not looking at long term success in the first place

When the average reader of *The War For Talent* looked at “five years of in-depth research in how companies manage leadership talent - including surveys of 13,000 executives at more than 120 companies and case studies of 27 leading companies” it is fair to assume they thought they were looking at the impact of talent management within high performing organisations.

Looking at the detail of the total group of *The War For Talent* companies, and the specific 27 exemplar firms, it seems more likely that readers were viewing the research outcomes of a range of organisations that, as well as several genuine long-term business achievers, also included:

- early start ups with no consistent track record of success
- firms that were already on a trajectory of decline and failure
- organisations that were “winners of the random walk”, and simply lucky in the short term¹⁴

With this mix of firms it is therefore unsurprising that the results have not been positive. **The research methodology was not based on a data set of genuine high corporate performers in the first place.**

“What is great performance?
It turns out that we typically measure the wrong thing and set the bar far too low.
Consequently, researchers who think they are studying successful companies are usually studying the winners of a random walk.”

Michael Raynor



Correlational analysis to make projections of future performance

The appeal of *The War For Talent* was the confidence that the adoption of its five imperatives would improve business performance. It was this claim that underpinned the book's popularity and the implementation of its recommendations by organisations.

As it turns out the research was not based on any attempt to track the impact of current talent management practice on future corporate performance. Instead *The War For Talent* claim was based on the correlation between a talent management index and the performance metric of total return to shareholders.

Correlations, useful as they are in exploratory analysis, are no foundation to establish the kind of cause-effect relationships that provide confidence to make claims of predictive power. As Phil Rosenzweig has highlighted, “the halo effect”¹⁵ makes this kind of research methodology problematic.

Our attributions of the causes of success are distorted by our view of the consequences of current success. Knowing that a company is currently highly successful we are more likely to report any manner of positive attributes about the organisation (its employee engagement, its leadership, its systems, etc). Conversely if an organisation is struggling, rather than discerning the specifics of what is or isn't working, we generalise to identify the negatives.

In *The War For Talent*, executive evaluations of talent management practice in the survey research were shaped by the current performance level of their organisation. The claim to project future gains in corporate performance from the five talent management imperatives was premature.

“If you start by selecting companies based on outcome, and then gather data by conducting retrospective interviews you're not likely to discover what led some companies to become great. You'll mainly catch the glow from the Halo Effect.”

Phil Rosenzweig



Mistaken assumptions about talent and its management

Methodological issues to one side, a larger problem emerges with The War For Talent: its fundamental philosophy of talent management. The issue emerges very quickly in the preface to the book with the authors' definition of talent:

“talent is the sum of a person’s abilities - his/her intrinsic gifts, skills, knowledge, experience, intelligence, judgement, attitude, character and drive. It also includes his/her ability to learn.”

In this all encompassing definition we are informed that: *“you simply know it when you see it.”*

In the world of The War For Talent, organisational life seems simple and straightforward. There is a construct that we can label as talent, which allows us to sort employees into three groups, those who have:

- **lots of this talent: the A players.** Our talent management strategy is therefore directed to the attraction and acquisition of the stars. We have to pay them disproportionate amounts of money, and typically we find our own organisation has a limited supply of super stars. We must therefore buy in this talent from the external market place
- **a bit of this talent: the B players.** These are solid citizens who in the world of The War For Talent seem best suited to get on with the work of implementing the brilliance of the A players
- **very little of it: the C players.** These are the individuals who never had talent and will never get it, and our talent management focus should be directed on identifying them and accelerating their dismissal¹⁶

Unsurprisingly in this simplistic world, the authors suggest: *“you may choose not to tell people what their current assessment is.”*

In this model of talent management, there is no sense that:

- organisations, for the most part, excel through their effectiveness in coordinating effort from many people as part of a **collective team activity**. And the reliance on the personal heroics of a few star individuals may be hazardous
- individual brilliance is typically **only brilliant within a context**, and in a different context, superior levels of performance¹⁷ seem to fall away
- a highly differentiated rewards system might reinforce the kind of **self seeking and competitive behaviour that can damage the cooperation** that builds long-term organisational learning and improvement
- any A-B-C assessment of individuals and their organisational contribution is **a simplistic evaluation** and likely to result in misguided resourcing and reward decisions¹⁸.

One size talent management does not fit all

Our view is that The War For Talent was lost in 2001 when it assumed there was only one strategy to fight the war: adopt the five imperatives of the McKinsey success formula¹⁹.

This was a talent management strategy that claimed too much: to deliver superior gains in business performance for any and every size and shape of organisation. Good for book sales, but problematic within organisational realities.

No doubt the simplicity of The War For Talent message - “hire very smart people and pay them more than they think they are worth” - was part of its appeal. But its attempt at one talent management strategy to tackle a range of complex challenges across very different businesses - strategic ambitions, structural configurations, and organisational cultures - was fundamentally flawed.

The challenges of a new high tech start up based on the innovation of a handful of exceptionally dedicated individuals are different to the process manufacturing firm in trouble and in need of quick turn-around. And the talent management agenda for an entrepreneurial firm evolving its strategy on the fly should be different to the multinational moving to greater decentralisation as part of its expansion plans.

When Daniel Vasella at Novartis endorsed The War For Talent: **“this book describes five powerful principles that are applicable in any company and in any country for winning the war for talent”** he was wrong²⁰. The five imperatives don't even seem applicable to the original sample of U.S. firms.

Not only has this approach failed to work as a generic strategy; it looks like it may have had counter-productive consequences.

“Claims made by consulting firms that profess to have found a (typically small) set of “one size fits all” questions that are equally important predictors of performance across all organizations should be viewed with caution. The truth is that each organization needs to do the hard (but not impossible) work of determining which human capital drivers are most important to its performance.

McBassi & Co



One size talent management does not fit all

The War For Talent, in Chicken Little style, argued that the gap between talent demand and supply was growing, and that the talent management sky was about to fall on our heads unless we adopted its five talent imperatives.

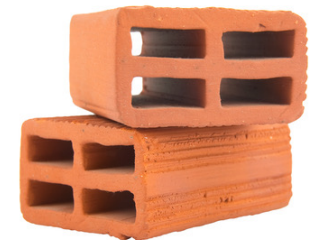
If there was a shortage of supply we suspect it wasn't a supply of genuine talent, but a shortage of the super stars who could perform "anytime, anyplace, anywhere". This perceived scarcity of star talent created an artificial market with unintended organisational consequences²¹.

And any organisation whose business future hinges on these super stars²² is probably pursuing a fragile strategy that is unsustainable over the long haul.

What was absent from The War For Talent analysis was any sense of how a coherent and focused talent management game plan might hinge on the specific dynamics of demand and supply for different organisations.

“A lot has been written about the war for talent, and - if you actually take an evidence-based perspective - much of it is nonsense.”

Bob Sutton



The “craft” of distinctive talent management may be a better response

This is to move talent management from the adoption of a solution to address the distinctive challenges facing an organisation:

- **CONTEXT**, and that different organisations - pursuing different strategies within different structures and cultures - have their own distinctive operating model with different implications **for the demand for talent in future**
- the **REALITY of how easily supply can be accessed** - internally from within, or externally from the market place - to match this demand
- how an organisation’s culture shapes its **talent management philosophy and positioning**, the choice of different resourcing and development options and the identification of high impact practices to outline a **distinctive AGENDA**
- the **maturity of the firm** - at an organisational and leadership level - as well as the sophistication of its processes and technological infrastructure to **build a FRAMEWORK** that delivers sustainable talent management
- the metrics that **TRACK the progress of talent management activity and the impact on the organisation** to keep the agenda relevant to changing business circumstances

C	The business CONTEXT and operating model	Do we have a coherent operating model that identifies the likely demand for future talent?
R	A talent REALITY check	Is our operating model sustainable in future given our access to the supply of talent we need?
A	The talent management AGENDA	Do we have a credible and coherent position that has identified talent management priorities to focus organisational attention?
F	Building the FRAMEWORK	Does our infrastructure and implementation plan indicate a realistic sequence of activity?
T	Evaluating progress to TRACK impact	Can we identify what is and isn’t working to guide improvement and maintain relevance to business change?

Conclusions

Best practice talent management promised a formula for success. It pointed to currently successful firms and their processes and practices in talent management, and suggested that if we followed this package of solutions we too could be successful.

As it turns out the research methodology of this enterprise is often flawed, and the conclusions misleading. Unsurprisingly talent management has proven a frustrating exercise for many firms:

- only 18% of companies report they are winning the war for talent
- 72% see the war as an endless struggle in which they are stuck
- and 10% seem to accept defeat for their organisations²³

The “one size fits all” prescription of The War For Talent has failed as a comprehensive response to the different talent challenges facing organisations.

Maybe the “war” metaphor was unhelpful in the first place. As Robert Barner has pointed out in Bench Strength: talent *is an art form that is practiced by savvy executives who know how to make decisions that support their overarching business strategy.*”

Distinctive talent management suggests that if we start by thinking strategically to identify what talent management means for our business, and apply the disciplined effort of tactical excellence to implement the activities with most leverage to close the gap between demand and supply, we might improve the odds of future business success.



“Many of these long-accepted practices not only fail to resolve the problems they’re meant to resolve or achieve the results they’re meant to achieve, but actually escalate problems, compromise results and derail effectiveness...Best practices are the problem.”

Susan Scott

Notes

1. Talent Management: Boards Give Their Companies an "F", Boris Groysberg & Deborah Bell, 2013

http://blogs.hbr.org/cs/2013/05/talent_management_boards_give.html

2. For details of the methodology utilised in distinctive talent management, contact admin@amazureconsulting.com

3. One of the authors, Ed Michaels, in a 2000 interview with Tom Peters outlines the dynamics of the war for talent

http://www.tompeters.com/cool_friends/008029.php

4. Jeffrey Pfeffer's critique, "Fighting The War For Talent is hazardous to your organization's health";

<http://faculty.washington.edu/janegf/warfortalent.html>

Malcolm Gladwell's The Talent Myth;

http://www.newyorker.com/archive/2002/07/22/020722fa_fact

More recently, Wally Hauck suggests that this approach to talent management is leadership malpractice; <http://www.wallyhauck.com/most-talent-management-is-leadership-malpractice/>

5. Because of overlap across the three groups, the 1997 and 2000 surveys, and the 27 showcase exemplars, and the exclusion of McKinsey itself and the US Marine Corps (financial data was unavailable), our analysis focused on 106 organisations for the overall analysis.

6. For each organisation we created a detailed profile that was used to categorise their business status in 2013: Disappeared, Disastrous, Disappointing, Done OK and Deliverer.

7. At what point does an organisation no longer exist? Several of the firms we classified as "Disappeared" still "exist" as a brand or entity within another enterprise. But ownership is so markedly different to their 1997 or 2000 status (typically through acquisition or merger) that comparisons with 2013 are next to meaningless. Other firms disappeared due to leadership ineptitude.

8. Dane Stangler and Sam Arbesman point out the limitations of the Fortune 500;

http://www.kauffman.org/uploadedfiles/fortune_500_turnover.pdf

Nonetheless we looked at significant gains or falls in the Fortune 500 rankings as one indicator of the organisation's performance trajectory.

9. The War For Talent research favoured Total Return to Shareholders (TRS) as a measure of corporate performance. This however has been criticised as reflecting "the vagaries of the stock market and changes in investor expectations rather than fundamental company performance". Although for the purposes of consistency to compare like with like, our analysis did track 10 year TSR data, we also obtained return on assets (ROA) data as an indicator of management efficiency.

<http://mobile.deloitte.wsj.com/cfo/2013/07/10/seeking-high-performance-look-at-how-exceptional-companies-think/>

10. We recognise the limitations of this approach and the challenges over the accuracy of Glassdoor ratings.

<http://www.workplacedynamics.com/blog/uncategorized/how-accurate-are-job-review-sites/> Nonetheless, this seemed a reasonable perspective to gain another organisational insight from employees (past and current).

11. This figure opens up the ongoing debate about how exceptional success should be defined, and the odds of achieving this level of success over the long run. For an extended analysis, Michael Raynor's "The Three Rules" provides an authoritative review of the limitations of the success genre. It would also be interesting to compare The War For Talent sample with the Miracle Workers and Long Runners identified in Raynor's research; we were unable to access the full listing of firms that formed the conclusions of "The Three Rules".

12. Several additional firms were mentioned in the book's index. We have ignored these organisations as they were not included in the research methodology. Of the three firms that received most book coverage (General Electric, Enron and SunTrust Banks); one has disappointed, one disappeared of its own making, and one has been a disaster.

Notes

13. The perspective of Nassim Taleb and the prediction problem through the lens of talent management;
<http://www.amazureconsulting.com/files/1/32665862/TalentManagementAsSnakesAndLadders-AntiFragileInAWorldOfUncertainty.pdf>

14. The problems of sampling genuine long-term success rather than a snapshot of the lucky are well described in “A Random Search for Excellence; why “great company” research delivers fables and not facts”
http://www.deloitte.com/assets/Dcom-UnitedStates/Local%20Assets/Documents/us_consulting_persistencerandomsearchfor_April2009.pdf

15. Phil Rosenzweig and “The Halo Effect”
<http://www.the-halo-effect.com/book/>

16. One of the valid points in The War For Talent was its reminder of the impact of under-performance, and organisations’ typical reluctance to address it. We agree, but are sceptical of the much adopted solution: forced ranking.

<http://www.strategy-business.com/article/20290?gko=f880e>
See also the use of “stack ranking” and its business impact at Microsoft;
http://www.slate.com/blogs/future_tense/2013/08/23/stack_ranking_steve_ballmer_s_employee_evaluation_system_and_microsoft_s.html

17. Boris Groysberg and “Chasing Stars: The Myth of Talent and the Portability of Performance”
<http://hbswk.hbs.edu/item/6474.html>

18. The organisational reliance on simplistic indices of potential explains in part why talent reviews continues to be high on talk but low on action;
<http://www.amazureconsulting.com/files/1/30518455/TalentManagement-7BattleGrounds.pdf>

19. The business thinker and author Morgen Witzel has noted the relationship between the War For Talent conclusions and the culture of McKinsey itself: pick smart high achievers, pay them well, throw them in at the deep end, and accept “up or out”. For a knowledge based firm where intellectual churn is important, this may be a sensible operating model. But it doesn’t seem to be a wise prescription for every organisation. This argument is also made by Duff McDonald in “The Firm”; “an important part of the whole talent mind-set was the dissemination of McKinsey’s cut throat personnel policy to any companies that wanted to claim they cared about winning.” and “The War For Talent contained a regurgitation of McKinsey’s own internal structure recast as the business model of the future”

20. It is obvious that there are overarching principles of common sense talent management (e.g. utilise valid selection methods). But the appeal of The War For Talent did not lie in a reminder of the obvious. On principles and best practice, see Gunter Stahl’s excellent “Six Principles of Effective Global Talent Management”
<http://sloanreview.mit.edu/article/six-principles-of-effective-global-talent-management/>

21. Michael Turner suggests that an artificial scarcity for talent has been created by the head hunting and management consulting industries;
<http://baselinescenario.com/2010/08/21/management-consulting-myths/>

22. For example, Searching for a Corporate Savior: The Irrational Quest for Charismatic CEOs, Rakesh Khurana
<http://www.hbs.edu/faculty/Pages/item.aspx?num=11408>

23. George Anders, Today’s Biggest Talent Management Challenges
http://blogs.hbr.org/cs/2010/03/todays_biggest_talent_manageme.html