An Interview with the Authors

Is it accurate to say that there's a "war for talent" given the downturn in the economy?

Short-term fluctuations in economic activity will make the talent market a little looser or tighter from time to time, but the long-term trends are clear. A lot of it has to do with demographics. The size of the total workforce in the United States will grow a total of twelve percent between 1998 and 2008. However, during the same period, the number of twenty-five- to forty-four-year-olds–the demographic segment that will supply companies with their future leaders–will *decline* six percent. This means that there will be a shortage of managerial talent–the people who can lead a company or division, guide a new product team, supervise a shift in an industrial plant, or manage a store with 15 or 150 associates. Companies will have to compete intensely for the limited supply of capable managers over the next two decades at least. It would take a substantial and long-lasting slump in the economy for this pressure to ease.

You surveyed leaders about the talent management practices in their companies. Overall, how well are companies managing their talent?

A few companies have been managing talent effectively for some time, the most renowned being General Electric, which has long been admired for the strength and depth of its management talent. But, most companies have a long way to go. They'll proclaim that people are their most important asset, but many don't act that way. Only nine percent of respondents in our survey were confident that the actions they are taking would lead to a stronger talent pool. Only twenty-six percent said improving their talent pool is a top three priority in the company. Few companies have consciously made the linkage between better talent management and business performance and therefore, talent building is not a priority for them.

Explain how talent management and business performance are linked.

Talent is now a critical driver of corporate performance and a potential competitive advantage. Companies that do a better job of attracting, developing, exciting, and retaining their talent can boost their performance dramatically. Our research shows that companies that scored high in their ability to manage talent earned, on average, a twenty-two percentage points higher return to shareholders than their industry peers. Companies that scored low in talent management earned no more than their peers did. Certainly, many things other than talent management are driving return to shareholders, but these data provide compelling evidence that better talent management results in better performance. And all other performance drivers, such as implementing strategy or bringing a new product to market, require talented leaders to make them happen.

And the idea that talent is what makes a company successful is the foundation of your book.

Yes, it's what we've come to call a *talent mindset*—the passionate belief that to achieve aggressive aspirations for the business, companies must have strong talent. And to have great talent, *every* leader in the company must be committed to that goal. Everyone from the CEO down to the line manager must believe that talent is a top priority and hold him or herself accountable for the strength of the talent pool. This is a very different way of thinking. In most companies, talent is not a top priority. Rather, people are HR's responsibility and managers live with the talent pool they inherit. They consider talent to be only one of many levers, at best. These companies need to fundamentally shift their perspective on every leader's job. Of the prescriptions we make in the book, embracing a talent mindset is the most important. It is the starting point.

With leaders taking responsibility for talent, will the role of HR change?

Attracting, developing, and retaining talented people can be the stuff of competitive advantage. Therefore, HR leaders will have a much more strategic role to play in the years ahead, arguably one equal to that of the CFO. HR executives should partner with line managers who will need guidance in strengthening their talent pool. They should also help forge the link between business strategy and talent; serve as thought leaders in understanding what it takes to attract great talent; facilitate the talent review process and help leaders execute action plans; and become the architects of the development strategy for the company's top 50 to 100 managers. To perform these strategic roles well, HR leaders should delegate or outsource the less strategic technical functions like compensation administration, benefits, and relocation.

You advocate that companies segment the different performance levels in their talent pool, differentiating between A, B, and C players—the high, average, and low performers. Do most companies do this well?

Many leaders would like to think of everyone as being equally talented and to treat them the same because that seems like the fair and compassionate thing to do. However, the reality is that some people perform better than others do and companies should differentiate the pay, opportunities, and other investments that they make in people. A few companies, most notably GE, rigorously differentiate the assessment, opportunities, and pay of their people. Better companies shower their best performers with fast-track growth and pay them substantially more than average performers. They develop and affirm the solidly contributing middle performers, helping them raise their game. They believe that "blinking" on the hard decision to remove weak players is unfair to the people working under that manager, the organization at large, and even the underperformers themselves. Identifying the different levels of performance through a rigorous talent review process and taking deliberate action on A, B, and C performers is how you can continuously upgrade your talent pool, drive the performance of your company, and perhaps counterintuitively, make your company more attractive to talented people.

Is there a downside to differentiation?

There is definitely a downside to differentiation. The B players won't feel quite as valued as the A players. There will be pain for the C players and for the managers who must tell them that their performance is inadequate. But the alternative is not investing the most important development opportunities in the people who have the highest likelihood of becoming leaders in your company. Not getting the top-flight players because you can't afford to pay them. Not putting your most talented people in your most critical jobs. Not driving your company's performance as hard as you could. And not being candid with people about their development needs so that they can work on them.

And you say that it's equally important to affirm people.

Yes, affirmation means making people feel appreciated, recognized, and valued for their unique contributions. Affirmation helps drive individuals' performance, job satisfaction, and retention. People want and need to feel valued as a productive part of the institution. When they aren't, they become demoralized, they are more likely to leave the company, and their performance invariably suffers. Even C players need their self-worth affirmed through recognition of the strengths they can leverage in another role. In our research, two-thirds of respondents who were considering leaving their current employer cited "not feeling valued" as a reason for leaving. On the other hand, employees who feel affirmed by their companies said they are more satisfied with their jobs and less likely to leave. Differentiation and affirmation together form an ethic about how to manage people. For many companies this is quite different from the ethic they are accustomed to.

You surveyed managers about why they decided to join and remain with their companies. What is it about a company that attracts and retains talented managers?

We wanted to know what core elements make up a winning employee value proposition (EVP). An EVP is like the company's customer value proposition; it's the compelling answer to the question, "Why would a talented person choose to work here?" Each company's EVP will be different depending on the type of talent they're trying to attract, but these are the core elements that managers look for–exciting work, a great company, attractive compensation, and opportunities to develop. A few more perks, casual dress, or more generous health plans won't make the difference between a weak EVP and a strong one. If you want to substantially strengthen the EVP, be prepared to change things as fundamental as the business strategy, the organization structure, the culture, and even the caliber of leaders in the organization.

Did the talent market of the late 1990s make companies better recruiters?

The frenzied pitch of the talent market in the late 1990s woke companies up to the need to rebuild their recruiting strategies and stimulated many creative new recruiting approaches. From time to time the economy will soften and recruiting may not seem like the crisis it once was. It's important that companies not become complacent during any lulls in the talent wars. They should use them to strengthen their talent pipeline and to opportunistically gain share in the talent market. Though they may want to reduce the quantity of people hired during cooler periods, they shouldn't stop hiring high quality talent—people who will be harder to win when the competition heats up again.

With the constrained supply of capable managers, the need for employees to constantly increase their capabilities, and the talented people who will leave if they feel they're not growing, it seems that development is more critical than ever.

Development is critical, and unfortunately, most companies don't do it well. Many think development means training, but training is only a small part of the solution. Development primarily happens through a sequence of stretch jobs, coaching, and mentoring. At most companies, these development levers are insufficiently pulled. Divisional hoarding hampers development through internal job moves: "I couldn't possibly let her go" is a common sentiment. Meanwhile, development through coaching and mentoring is left to serendipity. A few managers are good mentors andcoaches, but most are not. Companies need to fundamentally change the way they develop people by accelerating development and making it happen every day. They should match people to jobs in a much more deliberate way to optimize both development and performance. They should improve the frequency and candor of feedback and institutionalize mentoring. Every leader at all levels can and should be a people developer.

Once a company decides that it needs to manage its talent better, where do they begin?

We encourage leaders to think about the company's competitive advantage and the role better talent will play in driving success. They should ask themselves, "Do we have the talent pool we need to meet our aspirations?" "How important is strengthening our talent pool to the company's success over the next few years?" Take some measurements. Find out the attrition rate of the best midlevel managers. How many positions are open now versus two years ago? What percentage of the top 50 or 500 managers have the potential to be promoted two levels and what percentage are already over their heads? How much more productive are top performers than average performers? Then make a conscious choice: Should strengthening the talent pool be a top three priority? Are leaders prepared to make talent management a much bigger part of their job? If they can decide that talent must be a top priority, that is a huge first step.