



HUMAN PERFORMANCE

Using performance management to win the talent war

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Abstract The talent war is a 21st-century reality whereby organizations of all sizes, across all industries, compete to hire and retain scarce human capital. The talent war is fierce because there are few individuals within each industry who are considered top human capital such that there is not enough to go around, and these top performers generate a great deal of revenues, profit, and overall success for their organizations. In this installment of Human Performance, we describe the nature of the talent war and reasons why winning it is crucial for organizational competitiveness, sustainability, and survival. We discuss how implementing a performance management system can help organizations win the talent war by retaining these coveted top performers. Specifically, we offer the following research-based recommendations for using performance management to (1) create and maintain individualized developmental plans; (2) ensure that work is challenging, interesting, and meaningful; (3) provide clear advancement opportunities, and (4) implement contingent rewards. Implementing these recommendations can turn performance management into an effective tool to retain top talent and prevent competitors from stealing a firm's crucial source of competitive advantage.

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1. Prepare for battle

Increasingly, success comes from being able to attract, motivate, and retain a talented pool of workers. . . .With a finite number of extraordinary employees to go around, the competition for them is fierce. (Bhattacharya, Sen, & Korschun, 2008, p. 37)

The talent war is a 21st century reality whereby both big and small organizations compete with one another to hire and retain scarce human capital (Fishman, 1998; Trevor, Gerhart, & Boudreau, 1997). Perhaps the most visible evidence of the talent war occurs in major professional sports, as teams compete to acquire top human capital on an ongoing basis, in front of a global audience. In fact, such competition has been headlined in news stories for each of the major professional sports in the United States. We highlight two of these. The first includes the broadcast of 'The Decision' where LeBron James announced he was leaving the National Basketball Association's (NBA's)

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Cleveland Cavaliers to “take his talents to South Beach” and sign with the Miami Heat to join forces with other top performers including Dwayne Wade and Chris Bosh—because, as James said, this move gave him the best opportunity to win (Abbott, 2010). It seems that the Cleveland Cavaliers were unwilling or unable to make changes and offer opportunities that would have allowed him to reach his potential and achieve his high-standard goals. The second example involves Major League Baseball. After the St. Louis Cardinals won the World Series in 2011, the Cardinals were not able to retain their star first baseman, Albert Pujols, who signed with the Anaheim Angels. Although the baseballer has not gone into detail regarding this decision, his wife, Deidre Pujols (2011), indicated it was a result of disappointment with a short-term contract offer extended by the St. Louis Cardinals. Apparently, Albert Pujols was looking for greater commitment from the organization.

The negative effects of losing top performers are disastrous. For example, consider the consequences experienced by the Cleveland Cavaliers upon the departure of LeBron James. In a single year, the Cavaliers went from a winning percentage of .744 and a trip to the Eastern Conference Finals to a winning percentage of only .232 (Cleveland Cavaliers, 2012). Further, in the 2 years since, the club has gone from having the second highest attendance in the NBA to the 21st highest attendance (Cleveland Cavaliers, 2012). While these examples address professional sports teams and players who have received much popular attention, a similar war for talent occurs every day among organizations in all industries, yet goes largely unnoticed by the media.

As an illustration outside of professional sports, Facebook is a firm that has shaken up the Internet industry with talent raiding. During 2008, Facebook hired numerous employees from Google, including Chief Operating Officer Sheryl Sandberg and Director Ethan Beard. Commenting on his move to Facebook, Beard stated that it was primarily motivated by a chance to make a difference at the firm (Rogers, 2008). Beard reached the conclusion that his contributions and performance were not sufficiently valued at Google. The impact of Facebook’s talent raiding of Google has been rather substantial. Having moved from Google to Facebook, Sheryl Sandberg started recruiting a string of Google executives to follow her. In 2010, over 200 former employees once considered top Google talent were working for Facebook (Boulton, 2010). Overall, for every employee that has left Facebook for Google, 15.1 employees have done the opposite (Alex, Andrew, & Courtney, 2011). Realizing this trade deficit in human capital, Google responded in many ways, including a 10% pay raise to

all of its employees in an attempt to retain its top talent (Efrati & Morrison, 2010).

The primary reasons for the human capital war are the same in sports as in all other industries, regardless of the size of the firm. First, there are very few individuals within each industry who are considered top human capital, such that there is not enough to go around (Allen, Bryant, & Vardaman, 2010). Second, top performers generate a great deal of revenues, profit, and overall success for their organizations (O’Boyle & Aguinis, 2012). Next, we discuss these and other issues related to the nature and scope of the talent war.

2. Nature and scope of the talent war

There are four major characteristics of the talent war. These include (1) the struggle to retain top talent, (2) competition to hire away top talent from other companies, (3) participation of both big and small organizations on an increasingly leveled playing field, and (4) unexpected and unanticipated effects (Fishman, 1998).

Approximately 65% of executives and managers report that they have insufficient top talent in the ranks of their top 300 leaders, whereas only 10% say that their companies retain most of their high performers (Michaels, Handfield-Jones, & Axelrod, 2001; Ready & Conger, 2007). In line with these reported figures, top performers are more likely to voluntarily leave their organizations than are average performance employees (Trevor et al., 1997; Williams, McDaniel, & Nguyen, 2006). Issues regarding top talent retention are not limited to managers and executives; in fact, this concerns employees across all hierarchical levels in organizations and various occupational groups, such as police officers and teachers (Auguste, Kihn, & Miller, 2010). Because these top talent employees constitute strategic resources that give organizations an advantage in today’s global and hypercompetitive economy, it is not surprising that both researchers and practitioners have urged organizations to devote greater attention to retaining top talent (Fishman, 1998; McCracken, 2000; Trevor et al., 1997).

What makes this phenomenon not only a self-contained struggle but also a ‘war’ is that it is so pervasive and generalized. Organizations compete with one another for top talent to enhance their own competencies and also to sabotage their competitors’ human capital (Gardner, 2005). Indeed, more than 20% of organizations have experienced purposive talent raiding by their competitors (Kwon, Bae, & Lawler, 2010). It seems that no organization can escape the talent war. For example, even leaders at

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