

Chapter 8 Case study

Is the entire world fighting a 'war for talent'?

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Sweeping generalizations are commonplace in descriptions of the global economy. While not denying the existence of globalizing and converging trends, it is important to inject some detail and skepticism into our thinking if we are to fully understand the complex realities of the contemporary international economy. If one looks more closely at actual business practice in large employers across different nations then many of the assertions and assumptions around the 'inevitability' of globalization and convergence may turn out to be greatly exaggerated and perhaps ideologically motivated.

This case study is a critical exploration of a highly influential piece of analysis about trends in HR management at senior levels of major corporations (Chambers et al. 1998). Developed and published by the US consultancy McKinsey & Company, the paper describes 'the war for talent', in which cutting-edge global corporations face the challenge of a long term decline in the availability of executive managers (or 'talent'), especially from traditional recruitment sources (e.g. business schools and universities located in the home nation of those corporations). Corporations, they argue, 'are about to be engaged in a war for senior executive talent' and their article is a 'call to arms' for corporations to be much more proactive in working out who their current executive talent is; find new ways to assess, manage and reward their managers' performance; and seek new ways of attracting and retaining new talent, often from international sources (Chambers et al. 1998: 46). Peppering their writing with metaphors of war and strategy, the authors assert that corporations are highly globalized entities operating in a ruthless market for international talent. This 'talent' is taken to be globally mobile, regularly jumping from employer to employer in a varied career:

Ten years ago a high performer might have changed employers just once or twice in a full career ... the average executive today will work in five companies as a sequence of set-piece recruiting battles is transforming itself into an endless series of skirmishes as companies find their best people, and in particular their future senior executives under constant attack (Chambers et al. 1998: 48)

Chambers et al. assume that every corporation operates in an LME environment. The 'war for talent' is very much a North American product, based on interview and survey data from US executives. It makes no mention of the existence of varieties of capitalism or even the divergence in corporate forms within the USA (see Jacoby 2005). The assumption is that executive talent acts in accordance with the expectations of 'rational-choice' free-market economics – they are selfish utility maximizers, who have no

considerations of loyalty or longevity. Executives have abandoned any notion of a long-term career inside one employer.

The article suggests that cash bonuses be used to encourage motivation, recruitment and retention, that clear benchmarks be set to differentiate the ‘talent’ from the ‘average’ performers, and that companies should ‘move on the poor performers now’ (Chambers et al. 1998: 56). Again, the market-driven LME approach is assumed to be appropriate for all companies and that there are no barriers to implementing marketized pay, retention and performance management policies:

Making sure top performers’ compensation is considerably higher than that of their average colleagues is a relatively straightforward way to keep the exit price high and raise barriers to poaching. When a senior manager at GE was told a division was going to give its highest performers a 10 percent salary increase and its average performers 5 percent, he said, ‘Ten percent? Not nearly aggressive enough! Go for 15 percent, 20 percent, or 30 percent!’ (Chambers et al. 1998: 52)

In a German, Scandinavian, Korean or Japanese context, such pay and retention policies would be difficult to implement given the distinct labour management norms and institutions in place in those nations. Moreover, in a CME environment of ‘lifetime’ employment and seniority based pay (such as in Japan), such a system would not be needed as corporate managers have little incentive to leave their companies and are rarely poached from competitors. Even in the USA and UK, such ‘pay for performance’ and ‘talent management’ policies have been known to cause friction and resentment among those who do not receive such lavish bonuses.

In short, ‘the war for talent’ is an influential and interesting piece of work but it is also a great example of the trend for US-based HR writing to assume that the rest of the global economy is either already running according to LME principles, or must rapidly copy and adopt them or face dire consequences. The varieties of capitalism (VoC) perspective reminds us that both of these assertions are false, and that the global economy still tolerates a very wide array of systems, institutions and norms across various national business systems, especially as they relate to the norms and practices surrounding employment relations and career structures.

Questions

- 1 Explain the relevance of the VoC approach for the study of HRM and employment relations.
- 2 What is the significance of the argument presented above that the ‘war for talent’ is very much a North American approach? And what does this tell us?
- 3 How are systems of national employment different and what does this mean for talent management?

References

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