RESEARCH NOTE

Talent Management in Dynamic Times

From 'War for Talent' to 'Wealth of Talent'

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Talent & dynamic change

When we talk to companies about the pace and direction of change, we find that they perceive themselves to be in a 'disruptive' phase driven largely by new technologies. Fundamental questions are being asked from within and without, including how companies define their 'value proposition' in a fast-changing marketplace.

Accompanying the anxiety in corporate boardrooms is a sense that it has become more difficult to define their talent requirements. Couched in vague terms such as 'a special breed of talent' or 'those who can look into the crystal ball', companies are investing in making more 'scientific' predictions to select and develop this pool of 'high-potential talent'.

Virtually all the companies we talked to remain locked into a 'War for Talent' model, where talent is seen to be in short supply, requiring companies to intensify their efforts to hire or retain the perceived limited pool of talent at all costs, to drive corporate change for growth.

Despite the rapid increase in the numbers of well-educated entering the job market, leading corporations continue to fish in the same talent pools as industries converge, further intensifying the 'War for Talent'.

Yet this 'War for Talent' is not inevitable, and in fact undesirable in the current context of dynamic business change. We make this finding based on interviews with 82 senior corporate executives and 64 high-potential talent in 30 organisations across Singapore, China and

Key findings

- **'War for Talent'** is a weak model for capability development in times of rapid change, given that it sets itself up on the principle of a scarcity with the assumption that companies can make predictions on a small group of talent to respond successfully to the disruptions they encounter.
- Even on its own terms, **'War for Talent'** does not enable self-actualisation even for those identified as high-potential as the model rewards conformance, rather than performance.
- In contrast, a '**Wealth of Talent**' model takes a generous view of the abilities of the whole workforce in a high-trust, high-discretion workplace with ample space for workers to be responsive and to shape the changing business environment. It gives greater focus to functional performance, requiring a wider proportion of the workface to exercise professional judgement and discretion that are consistent with high levels of employee skills and performance. The **'Wealth of Talent'** model thus enables corporations to harness the best and most of their human capital to capitalise on opportunities brought about by new technologies and prepare for left-field competition.

SEPTEMBER 2018

India. The four sectors covered in the study are pharmaceutical & biotech, banking & finance, infocomm and professional services that are widely seen as trailblazing in their adoption of digital technologies. Of these 30 organisations, 21 were transnational corporations (TNCs) with 11 of them interviewed across all three locations. The remaining 9 organisations were local enterprises/start-ups who were interviewed to provide contrasting perspectives.

Talent as a product of corporate talent management

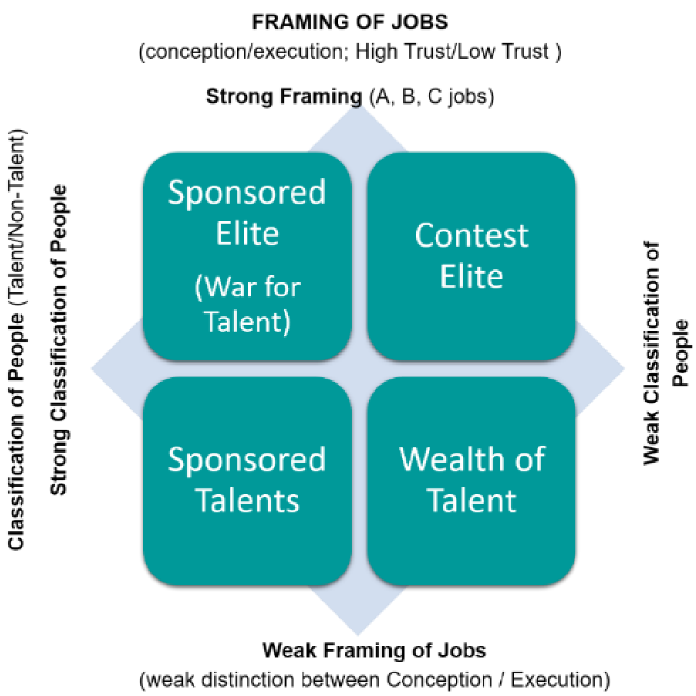
In virtually all the corporate interviews across the three locations, 'talent' is defined in terms of individual attributes, competence or giftedness. It relates to individual qualities and abilities, which some of those interviewed explicitly linked to genetic endowment, demonstrated or imputed to individuals in the performance of specific activities or roles. This emphasis on individual attributes is consistent with the idea that talent is an empirical reality; it is 'out there' reflected in individual differences, if only we can find better ways of nurturing and identifying it.

However, such discourse obfuscates the very structured ways that companies put in place to identify and manage talent. Consultants at McKinsey (Michaels et. al., 2001) have perhaps done the most to promulgate the 'War for Talent' as a strategic business challenge and driver of corporate performance. This talent model highlights that business success depends on the contributions of 10 – 20 per cent of the workforce, as it is top talent (including high-potential talent), that is believed to add much of the value to the organisation. Becker et. al. (2009) takes the stratification of the workforce further, advocating that companies distinguish between 'A' jobs (strategic), 'B' jobs (support), and 'C' jobs (surplus) based on their business strategy. Talented employees are spotted, and groomed into 'A' jobs.

By design, the models put forth by McKinsey consultants and Becker et. al. are set up for scarcity as they are unable to accommodate the plentiful supply of talent. Recruitment into this narrow talent pool is typically through elite university recruitment and hiring from leading-edge competitors, leading to escalating compensation and benefits for a small group of elite.

The 'War for Talent' is not the only way in which companies can organise their workforce. In Figure 1, we present four ideal types for companies to organise their talent pool. The vertical dimension in Figure 1 relates to the framing of jobs in terms of control over content, organisation and sequencing of work tasks. Evidence of strong framing of job roles is where companies adopt a centralised model of organisation control where 'permission to think' is restricted to people occupying strategically important positions in the organisation. A weak framing is where permission to think is extended through the organisation, where jobs are not framed in terms of the distinction between 'conception' or 'execution'. The horizontal dimension relates to the classification of people through high-potential programmes or their equivalent.

Figure 1: Framework for corporate talent management (ideal types)



The 'War for Talent' organisation limits the job roles identified as strategic, and uses high-potential programmes to identify and sponsor a narrow pool of talent to take on these jobs. The rest of the workforce may still be 'valued' within the organisation, but are not seen to be people that truly add value to the organisation, or who are capable of taking the business forward.

A HR manager in a banking and finance TNC in Singapore summarised this approach succinctly: "It's like the vital many and the vital few. We do some things for the vital few who sits in the talent population. They tend to get the lion share of resources, senior leadership time, senior leadership advocacy sponsorship etc. Our finite resources tend to get more focused on the vital few."

The alternative of a 'War for Talent' organisation is a 'Wealth of Talent' organisation, which takes a generous view of the abilities of its workforce. There is a limited stratification of job roles, and a limited classification of their workforce, with a good structuring of opportunities for the majority of the workforce to demonstrate their capabilities.

Limits of the 'War for Talent' model

Our study found that the majority of organisations interviewed operate with a 'War for Talent' model, where 5-30 per cent of the workforce is considered as talent in an organisationally-created differentiation. More importantly, the study also found that the 'War for Talent' model is ill-suited for the current context of rapid technological change.

Heavy investments in a pool of high-potential talent requires the base of the industry to be stable, which is not possible in the current period of dynamic change. Companies increasingly use vague 'signifiers' such as 'agility' to describe their talent that signifies the uncertain conditions that they now find themselves in. In one TNC bank in Singapore, the descriptor of talent is so inflated that it appears impossible to identify any such person. Its HR manager shared: "The talent of the future, because of the big disruptor that technology can bring, must understand, and actually can see in the crystal ball that this is going to come, and I have to prepare my men, or I have to do something different."

A HR manager in a TNC bank in India was candid in how the base of the industry changes so often that it was increasingly difficult to define what a successful high-potential programme was. She explained: "Banking cycles have only gotten shorter and shorter…So, with that, the skills required to be successful. It used to be derivatives…If I were to play the larger game,…the best banker is going to be a technocrat, and not a person who understands the markets…So I feel like the base of this place changes…That's one of the struggles in defining a successful programme. Because you need to have longer-term measures, and there is no long-term in banking."

A regional HR director of an infocomm TNC in Singapore similarly explained: "What we suddenly find is that the people that used to be seen as high performers - great leaders, they no longer are because the market demands them to be completely different."

Meanwhile, the 'War for Talent' has led to ever-escalating costs in the bid to hire top talent, even though companies are not entirely sure if the investment will bring about the desired performance outcomes. Elite university recruitment is a key strategy, along with hiring from leading competitors. A CEO in the banking and finance industry was candid in criticising the practice of hiring bankers from competitors with the expectations that they would be helping the banks get new clients. He explained: "The client's relationship is increasingly with the institution. Although the industry knows it, because they don't have much of an alternative, they will still bid higher and higher for those bankers on the expectation that they would come with their clients. And the bankers would be asking for a higher and higher compensation."

When his new data mining team started experimenting with running performance data, the results were shocking. He added: "[The bankers were] the least successful at client acquisition. In a way these are your more expensive people…You would want them to be best at going and hunting for new clients."

Part of the problem is that companies face difficulty to identify which hires will add value and managerial potential. At best, companies recruit based on 'a promise' conveyed in curriculum vitae and utterances in job interviews, rather than on actual performance. This recruitment model provides those individuals identified as 'talent' with considerable market power, which may bear little relationship to individual marginal productivity. This is not to say that those identified as talents are not 'good at their jobs' however that is measured, but there is little to suppose that they are the only ones who can do them.

Even for recruited staff, corporations struggle to properly identify talent. There is convergence across all the four industry sectors that whatever talent is, it is more than skills, and that it is more than performance; the focus is on potential. Yet, companies are unable to articulate clearly how they assess potential.

The HR manager in a banking & finance industry in Singapore candidly admitted: "So we have some templates around [potential], and they are not very scientific. And you can never be scientific about future potential, obviously…It is more around managers' assessment based on past performance and ability to do things that are probably the next level up or the next job up or something like that…It is not sort of calculated or scientific. It is hard to be."

The difficulty in assessing potential is not merely a corporate inconvenience, but directly shapes the areas that individual talent invest in. Interviews with high-potential talent indicate that they see themselves as being embroiled in a complex process of 'performing' rather than 'performance', where they are in a positional competition, and judged and ranked in relationship to others. There is almost unanimous consensus on the importance of 'playing the game' to secure the confidence of senior colleagues, given the latter's role to 'decipher' the difference between high performance and high-potential.

As one Singapore-based high-potential respondent from the pharmaceutical sector says of the oft-cited presentation skills: "Presentation is a form of perception…A lot of time you don't get to perform first. You get to form perception first."

Another Singapore-based high-potential respondent from the professional services sector similarly observed: "A person might be good at their job but they don't know how to showcase their work. If you don't know how to show to your bosses that you have done something so that the organisation yield more profits, then you are probably not so talented."

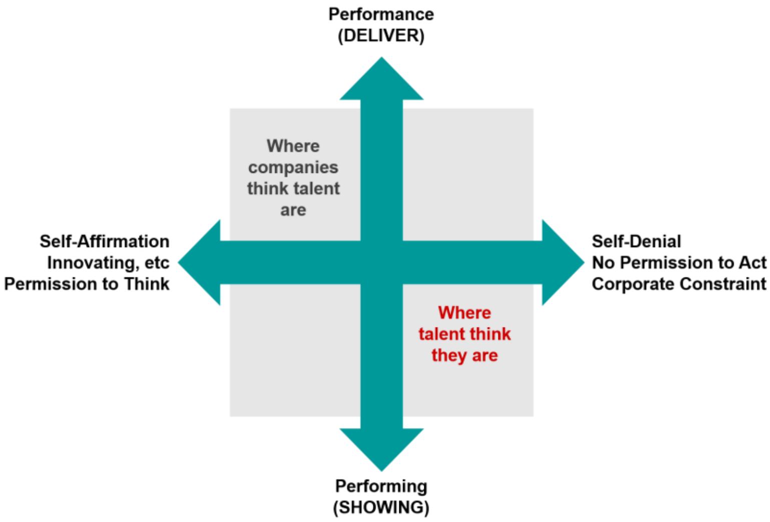
This articulation of the importance of impression management is corroborated by the following candid reflection by a regional supply-chain director in the pharmaceutical industry: "Unfortunately, a lot of times, talents are identified because the senior management observed certain colleagues in the very short window of time through certain presentations that they are doing. And they decided that hey, this is a talent that we want to pursue. And that is maybe just 5 per cent of the time that they saw of the person's entire time with a company. It can be extremely biased."

The 'War for Talent' model is typically justified to give high-potentials space to drive change. However, this seems far removed from the experiences of those interviewed. Many career journey narratives indicate that working in TNCs was "more or less executing the strategies". As one career journey respondent in China explained: "If you're a corporate talent, you may have your own thoughts but you also need to bear in mind that there is already a sort of a framework that you have to fit in whilst changing."

A career journey respondent from the infocomm sector in India was more specific in suggesting that organisations merely require workers who fulfil the key performance indicators (KPI). He said: "In this current situation, the organisation does not need talents. The organisation needs people who can fulfil the KPI. [Fulfilling KPI]…it's not talent…It's an attitude of a person towards work, commitment…If you are talented, organisations these days do not know how to use your talent. They need you because you can fulfil their task. Even if you're talented or not, it doesn't matter."

Thus, while companies justify the 'War for Talent' model as giving protected space to a small pool of talent to lead the company in new innovative ways while demanding high performance from them, the experience of high-potential talent suggests otherwise. Figure 2 highlights the misalignment between individual talent experiences and corporate expectations.

Figure 2: Misalignment between corporate talent management and high-potential talent



At its core, the 'War for Talent' view is a weak model for capability development in times of rapid change, given that it sets itself up on the principle of a scarcity with the assumption that companies can make predictions on a small group of talent to respond successfully to the disruptions they encounter. Equally important is that in a potential-based model, companies are not getting the best of the workforce in a sustainable way with implications for retention and the exercise of 'discretionary effort'.

Towards a 'Wealth of Talent'

A viable alternative to the 'War for Talent', is a 'Wealth of Talent' model that takes a more generous view of the abilities of workforce in a high-trust, high-discretion workplace with ample space for workers to be responsive and to shape the changing business environment. A 'Wealth of Talent' model gives greater focus to functional performance as opposed to potential, making strict demands on a wider proportion of the workface to exercise professional judgement and discretion that are consistent with high levels of employee skills and competence. We argue that there are sound business reasons for corporations to evolve their talent strategy from 'War for Talent' to 'Wealth of Talent' to capitalise on new opportunities brought about by technological disruption.

A 'Wealth of Talent' model is consistent with the following comments from a regional HR director of an infocomm TNC overseeing Greater China. She suggested that corporate change needs to be accompanied with a shift away from a 'hero' mindset of talent. She explained: "the hierarchical structure will definitely change. No one will be looking at…who's the boss…People will be working in more like teams or groups, and leverage on each other's expertise or strength. It will be more a team effort, and not an individual effort. The way I look at it is [that the] possibility of having a single hero…being the hero of the organisation might have gone. [It] is more like how the entire team can collaborate and work together."

Of the 30 organisations that were interviewed in this study, only one company demonstrated characteristics of a 'Wealth of Talent' organisation. It is noteworthy that this company does not use the term 'talent' at all, referring to its workforce as "its people". The model places a high demand on corporate performance on a broader proportion of the workforce. In the absence of a strong framing of job roles between conception and execution roles, there is a strict demand on most staff to exercise their professional judgement and discretion (see *Box 1*). In other words, the job roles created in a 'Wealth of Talent' model require high levels of task discretion, autonomy and employer trust that are consistent with the kind of societal investments in education and training. There was also significant space for a broader proportion of the workforce to work together and drive change. As one of its employees highlighted, "[There's] a lot of space to run...[it's] easier to apologise than to ask for permission [to do things]". Such sentiments are a sharp contrast to the views expressed by many high-potential talent in 'War for Talent' organisations interviewed in this study who drew our attention to the organisational constrains to drive change.

Evolving firms' talent strategy

We found evidence of discomfort with the current talent management system. One former regional chairman in the pharmaceutical industry observed that the talent pipeline created by the current system was "too few, too late, too infrequent".

Some companies are already making modifications to strengthen their talent pipeline. In one company, performance reviews were replaced by talent conversations, with line managers tasked to spend more time coaching their staff on the latter's performance. Another set of enhancements being adopted was experimentation with HR analytics to make more 'scientific' predictions on the selection and development of high-potential talent to overcome some of the current uncertainties of identifying talent. This experimentation also included trying to understand the marginal productivity of high-potential talent versus the rest of the workforce, which often led to surprising findings. Earlier, we outlined how a Singapore-based CEO discovered the actual low performance of its top bankers when data was mined by his data analytics team. A professional services TNC in China similarly related that its use of data analytics showed that recruits from non-elite university performed as well as those from top-end universities, allowing it to diversify its recruitment activities.

Yet, despite the range of modifications to the current talent management system, the fundamental assumptions of a narrow pool of elite remain, suggesting that much bolder shifts are needed.

Shifting to a 'Wealth of Talent' model may be less challenging than commonly assumed, as companies tend to have a favourable view of the contributions of their workforce. In Singapore, a nationally-representative study by the Institute for Adult Learning of 3,800 establishments in Singapore found that establishments across sectors indicated that 40-60 per cent of their staff were 'adding significant value' to their business. When asked about the proportion of high-potential staff, the percentage dropped sharply,

Box 1: A case study of a ‘Wealth of Talent’ organisation

The sole company demonstrating characteristics of a ‘Wealth of Talent’ organisation was a Singapore-based biotech company, with operations in two other Asian countries and a staff strength of 40 people. A small company size may not be a necessary condition for the deployment of a ‘Wealth of Talent’ model. Far smaller companies in our sample, such as start-ups, were also employing ‘War for Talent’ strategies.

In this biotech company operating with a ‘Wealth of Talent’ model, there was hardly any classification of the workforce. It did not have any high-potential programmes nor does it actively seek out to hire from brand-name companies or elite universities. When asked if the company uses the word ‘talent’, the Chief Operating Officer (COO) was clear that it did not. In his words:

> “No. We don’t actually talk about hiring talent for that particular role. They are all good at what they do.”

The term the COO clearly preferred was “people”, and its staff was given significant amount of autonomy, and demanded to exercise judgement and discretion over their work. He explained:

> “We’re a low-structure environment. There is obviously structure, we have things around us but you are pretty free to get things done…There’s always an obstacle. You want to go under it, around it, over it, change gravity and move it out of the way, I don’t care...Some people like that and some people are frightened by that. Now if you’re frightened by it, it’s not a bad thing. It’s just maybe this isn’t the right business for you. So we have turned away a few people that hasn’t been right. They clearly are quite concerned about having that much freedom. You do have enough rope to hang yourself, and you must make those kind of mistakes if you want to learn.”

Ironically, the COO shared that the people who did not fit the company tend to be hires from the pharmaceutical industry, who would have otherwise been favourably positioned in companies operating in a ‘War for Talent’ paradigm. The COO, who himself had extensive work experience in pharmaceutical TNCs, explained the limitations of coming from a pharmaceutical background:

> “The people that didn’t fit, they fit pharma[ceutical] structure better…Pharma[ceutical] companies tend to define people in their own ways. They like to put you in a little box and say you do this. Maybe at the end of it you do that, you don’t do very much you know. Some people like that. They like SOPs, standard operating procedures for everything. We don’t have SOPs for everything. If we need an SOP, we write it.”

In many ways, his comments echoed the narratives of many of our career journey respondents, who suggested that performance in a TNC was mainly about alignment with corporate programmes. This reflects the strong framing of job roles in TNC with clear distinction between conception and execution roles. In contrast, the biotech company did not make a distinction between such roles, with a strict demand on its staff to exercise their professional judgement and discretion. A young staff of the company agreed this was the case, and more importantly, that the environment was forgiving with abundant opportunities for dialogue and interaction with senior colleagues:

> “[There’s] lots of space to run…[It’s] easier to apologise than to ask for permission…If I had joined a [pharmaceutical] company, [the COO] could be several, several, several layers above me and I’ll never be able to interact with him on a day-to-day basis [either] with him or the [CEO]. So I think that’s also another strong pull factor for joining a company like this where you get access to experience management on a day-to-day basis.”

The ‘Wealth of Talent’ organisation may take a generous view on the abilities of their workforce, but the demand on corporate performance is no less important. As the COO pointed out, “biotech has been doing things cheaper, on a budget and delivering much more than pharma[ceutical] over the last 20 years.” In fact, the focus on performance is arguably far more important in a ‘Wealth of Talent’ model than in the potential-focused model of ‘War for Talent’.

with half of the establishments indicating that only 1-20 per cent of staff were considered as high-potential. As this study shows, this narrow view of talent is likely linked to an organisationally-created differentiation embodied by a 'War for Talent' strategy that deserves review.

Concluding remarks

In this research note, we have outlined the limits of the 'War for Talent' in terms of its internal contradictions that limits the supply of talent by design, the weakness of the model to cope with dynamic change, and its inability to get the best of its workforce in a sustainable way.

What we have shown here is that the 'War for Talent' is not inevitable, and in fact makes less business sense for companies in the context of dynamic change.

A 'Wealth of Talent' model is a viable alternative. It creates a high-trust, high-discretion workplace with ample space for workers to be responsive to changing business needs. In contrast to the potential-focused model of a 'War for Talent' organisation, a 'Wealth of Talent' organisation gives greater focus to functional performance, ensuring that companies get the best of their workforce in sustainable ways. Evolving from a 'War for Talent' to a 'Wealth of Talent' organisation will allow corporations to be more nimble in tackling left-field competition, and respond to new opportunities possible with digital technologies.

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Centre for Skills, Performance and Productivity (CSPP) is a research centre of the Institute for Adult Learning. CSPP specialises in skills research in relation to workplace performance and productivity. The approach is interdisciplinary employing both quantitative and qualitative research techniques.

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This publication should be attributed as Brown, P., Sadik, S., Lauder, H., Sung, J. and Freebody, S. (2018). *Talent management in dynamic times: from 'war for talent' to 'wealth of talent'.* Singapore: Institute for Adult Learning.

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CSPP-2018-01

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