

The War for Talent

By Ed Michaels, Helen Handfield-Jones,
and Beth Axelrod

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How Strong Is Your Talent Pool?

The Answer Will Determine Your Company's Long-Term Success

In 1997, a groundbreaking McKinsey study exposed the "war for talent" as a strategic business challenge and a critical driver of corporate performance. Then, when the dot-com bubble burst and the economy cooled, many assumed the war for talent was over. It's not.

Now the authors of the original study reveal that, because of enduring economic and social forces, the war for talent will persist for the next two decades.

McKinsey & Company consultants Ed Michaels, Helen Handfield-Jones, and Beth Axelrod argue that winning the war for leadership talent is about much more than frenzied recruiting tactics. It's About the timeless principles of attracting, developing, and retaining highly talented managers -- applied in bold new ways. And it's about recognizing the strategic importance of human capital because of the enormous value that better talent creates.

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 authors propose a fundamentally new approach to

talent management.

They describe how to:

- Create a winning EVP (employee value proposition) that will make your company uniquely attractive to talent
- Move beyond recruiting hype to build a long-term recruiting strategy
- Use job experiences, coaching, and mentoring to cultivate the potential in managers
- Strengthen your talent pool by investing in A players, developing B players, and acting decisively on C players

Central to this approach is a pervasive *talent mindset* -- a deep conviction shared by leaders throughout the company that competitive advantage comes from having better talent at all levels.

Using practical examples from companies such as GE, The Home Depot, PerkinElmer, Amgen, and Enron, the authors outline five imperatives that every leader -- from CEO to unit manager -- must act on to build a stronger talent pool.

Written by recognized authorities on the topic, this is the definitive strategic guide on how to win the war for talent.

Author



Ed Michaels (center) is a recently retired Director of McKinsey & Company in Atlanta. **Helen Handfield-Jones** (right) is a Senior Practice Expert with McKinsey & Company in Toronto. **Beth**

Axelrod (left) is a Principal of McKinsey & Company in Stamford, Connecticut.

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Reviews

"The seminal book on the most significant problem facing all organizations." --Warren Bennis, Distinguished Professor of Business, University of Southern California and Author of *Managing the Dream*

"The one resource your competitors cannot duplicate -- perhaps the only one -- is the pool of managerial talent you create and cultivate. In my experience, the ROI on doing this well can be dramatic and immediate. Especially valuable for CEOs, this book describes clearly and powerfully how to attract, develop, assess, and retain leaders." --Mike Ruettgers, Executive Chairman, EMC Corporation

"Increasingly, there is a global battle for the best talent involving both companies and governments. This book describes five powerful principles that are applicable in any company and in any country for winning the war for talent." --Daniel Vaselia, M.D., Chairman and CEO, Novartis AG

"*The War for Talent* is the definitive playbook for talent management. Packed with original insights and game-changing ideas, it outlines action plans that all managers ought to consider. This book is an indispensable guide for learning how to apply the art and science of building your organization's talent." --Julian Kaufmann, Vice President, Leadership and Organization Development, AOL Time Warner, Inc.

"This landmark book shifts the 'war for talent' discussion from metaphor to battle plan. This book will profoundly shape management agendas -- of the survivors." --John Hagel, Chief Strategy Officer, 12 Entrepreneur

"McKinsey's *The War for Talent* offers valuable insight into what people want from their employers today. It shows how to strengthen a firm's human capital to significantly improve business

performance. Every manager will benefit from reading it." --Douglas A. Warner III, Chairman, J. P. Morgan Chase & Co.

"Here at last is a book that takes us beyond the rhetoric and sets out a bold plan of action for actually winning the war for talent. Any CEO or any company that does not have talent as a burning business priority risks its future." --Frank Cicutto, CEO, National Australia Bank

"Any executive who doesn't view people as the greatest corporate asset should read *The War for Talent* to understand that their only protection against the forces of destruction is the best people -- period." --Bob Beauchamp, President and CEO, BMC Software, Inc.

"In a young company, ensuring that you have the best people propelling the business is arguably a leader's most important obligation. 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." --Kenny Feld, President and CEO, Contrado, Inc.

"A truly great book. Without talent, organizations are empty shells. Any organization without a compelling strategy for talent is heading for the precipice." --Sir Richard Evans, Chairman, BAE Systems plc

"*The War for Talent* is a refreshing book, offering sound practical advice for every manager. This book presents five actions that leaders must take to strengthen their talent pools. It is also very suitable for managing business in Europe. It is not only well written but also warmhearted and hard-driving." --Jacob Wallenberg, Chairman of SEB and Executive Vice Chairman of Investor AB

"Finally, a book that presents a burning case for having a talent mindset. Leaders have to think and act differently to win the war for talent. This is a must-read for those who are serious about winning!" --Ursula Fairbairn, Executive Vice President of Human Resources and Quality, American Express

"Normally, the consulting fee for the advice given in this book would be very high indeed. It distills -- on a clear, what-to-do basis -- the key strategic element for sustainable growth in the decades to come. A must-read for any manager." --A. Daniel Meiland,

Chairman and CEO, Egon Zehnder International

"At GE, we have always believed that putting great people in critical positions is fundamental to business success. Using a rich blend of persuasive data and provocative anecdotes, this book embellishes that simple premise with real operational strategies for attracting and leveraging talent in an organization. It is both an interesting and very useful read." --Wilham J. Conaty, Senior Vice President, Human Resources, General Electric Company

"We all know that, in the end, it is people who will determine the success of any enterprise. The war for talent is constant, and this book gives us the tools to fight this war. Can there be anything more useful?" --Shelly Lazarus, CEO, Ogilvy & Mather Worldwide

"*The War for Talent* has become the most talked-about study -- now book -- in the human capital space. 'Must-read' is much too mild an endorsement." --Pat Pittard, Chairman, President, and CEO, Heidrick & Struggles

"A brilliant battle plan. *The War for Talent* is a major wake-up call to anyone in management -- in small companies as well as large -- whose success increasingly depends on being surrounded by talented individuals." --John Darden, former President, Young Presidents' Organization Worldwide

"McKinsey's first studies in the 'war for talent' immediately made that phrase a part of the language of business. This path breaking continuation details why developing and managing the best talent ought to be a central part of every company's business strategy." --Peter Cappelli, George W. Taylor Professor of Management and Director of The Center for Human Resources, The Wharton School, University of Pennsylvania

"Board members should encourage not just CEOs but senior leaders throughout the organization to make improving their talent pool a top priority. This book gathers essential tools managers need to measure and improve their all-important focus on talent management." --Adam Clammer, Kohlberg Kravis Roberts & Co.

"This book hits the big sweet spot in today's competitive environment. *The War for Talent* is a must-read for any CEO." --Jim

Robbins, President and CEO, Cox Communications

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Excerpt

The following is an excerpt from the book

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The Courage to Reshape Long-Standing Ethics

In the struggle to be fair and compassionate leaders, many would prefer to think of all colleagues as equally talented, and to treat them all the same. However, in reality, some people perform better than others.

Differentiation entails assessing the performance and potential of your people and then giving them the commensurate promotion, compensation, and development opportunities. It means investing in the A players, so you are sure to retain and develop them; affirming and developing the B players, so they can contribute their best; and acting decisively on the C players, either by helping them raise their performance or by removing them from critical positions. We are not discussing the D players -- the clearly incompetent or unethical managers -- since all companies take quick action on them.

What precisely do we mean by A, B, and C players? You could think of these three levels in *absolute* terms: A players define the standard for exceptional performance by consistently delivering results and inspiring and motivating others; B players are solid performers who meet expectations but who may have limited upward mobility; and C players deliver barely acceptable results. You could also think of them in *relative* terms: In a particular company, A players are the best 10 to 20 percent, B players are the middle 60 to 70 percent and C players are the bottom 10 to 20 percent. Whichever approach you use for defining your talent segments, be sure to install a common

definition that can be consistently applied.

Many companies are uncomfortable designating people as As, Bs, and Cs. Differentiation requires a willingness to acknowledge that among the many committed hard workers, some contribute more than others in terms of performance and impact to the organization. At the core of this discomfort is a genuine ambivalence about passing judgment on people. However, it is important to remember that you are *not* passing judgment. You are assessing performance. Moreover, it is not a permanent verdict. In fact, the underlying purpose of the assessment is to help people improve their performance.

Critics of differentiation argue that it promotes a star culture that undermines teamwork. This doesn't have to be the case, however. Differentiating your As, Bs, and Cs doesn't mean that you are stamping a grade on their forehead. In fact you, may choose not to tell people what their current assessment is. Furthermore, it doesn't require that all of the performance rewards be based on individual performance. You could, for instance, base all or some of a manager's variable pay on team performance.

Other critics of differentiation argue that it takes universal praise to keep everyone motivated. We don't think this is true, either. Ninety-four percent of the managers we surveyed said that recognition for their individual contributions is very important to them.

There are some downsides to differentiation. The B players won't feel quite as attended to 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 what is the alternative? 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 being candid with people about their development needs so that they can work on them?

Imagine the excitement if your CEO announced that a midlevel engineer who was widely acclaimed to be a terrific leader was promoted to be head of product engineering for the entire corporation. Imagine your boss telling *you* that your performance

was rated outstanding and handing you a 40 percent merit increase rather than the 4 percent you had expected. Imagine the buzz that would ring through your company if a long-tenured senior executive who had failed for years to provide inspirational leadership -- in fact who was a real demotivator -- were asked to leave.

The enormous power of affirmation

Affirmation, on the other hand, means making people feel appreciated, recognized, and valued for their unique contributions. Affirmation helps drive an individual's performance and job satisfaction. 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. As the philosopher and psychologist William James understood, "The deepest principle in human nature is the craving to be appreciated." Even C players need their self-worth affirmed-through recognition of the strengths they can leverage into 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.

*Endnotes have been omitted.

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