Talent

Raid It, Own It, Set It Free!

Orly Lobel

In a prophetic speech at a 1943 assembly, Winston Churchill predicted that "the empires of the future will be empires of the mind."

The future is now: The knowledge economy is here. Gone are the days when competitive advantage came from real assets. It's human assets that give companies an edge. Skill, creativity, and smarts are the modern ingredients of success. Talent has become the most valuable asset for a company and talent is scarce.

There is a scientist drought. There is an engineer drought. A recent McKinsey Global Institute report finds that despite unemployment rates being high, a third of American companies have positions that remain open for extended periods because the right people are hard to find.

The best and the brightest are in fierce demand, and we fight over them like we fight over no other asset. This fight, the talent war, is only projected to become more intense. An American Society for Training and Development report predicts that by 2015, 76% of U.S. jobs will require highly-skilled workers. The report projects that 60% of new jobs will require skills held by 20% of the population.

But, talent is not a commodity. It lives and breathes. It can be enhanced and it can be depleted, depending on how we treat it. The ways we fight over talent determine the economic success of a region.

How do we attain and retain talent? How can we enhance the raw potential of new recruits? How can we nourish it, nurture it, and be sure it is put to good use? And how should we react when it leaves us? The stakes are high in the talent wars, the winners prosper and the losers fade into irrelevance. Isolation, control and intimidation will not win you the war. To win it you must adopt a counter-intuitive approach. **This is your talent war playbook.**

Shake and Stir with New Blood

You need new blood. Think of turnover as a strength. Often we need a new set of eyes to take our vision to the next step. Companies with little turnover risk stagnation and myopia. Even the best teams begin to rust when they close themselves off to the outside world. Studies find that teams with little turnover become progressively less productive. One study, which data-mined almost one million patents, showed that companies that are closed off to new people develop resistance to the adoption of outside ideas. We recruit new minds in order to balance different types of knowledge against entrenched biases. People who move across firms bring with them not only knowledge, but also new ways of thinking and collaborating. Consistent hiring can promote and sustain a company culture of learning, openness, and institutional dis-entrenchment.

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Don’t be Afraid to Raid

Be Aggressive. Make cold calls to superstars in your field. Recruit new talent like you recruit new customers, and continue to build employee loyalty like you invest in the brand loyalty of your clients. Borrow Google’s motto, “You’re brilliant, we’re hiring.” Superstars who can excel in the competitive environments of today’s knowledge economy are always in intense demand, so don’t be afraid of over-hiring. Google, a big winner in the war for talent, explicitly states that it favors intelligence over experience. IDEO, the successful international innovation and design firm founded in Palo Alto, has a similar philosophy: “Status comes from talent, not seniority.” The belief that great talent disparities exist among professionals is well founded. A Harvard Business School study concludes that in most complex jobs, the top 1% of employees outperform average workers by 127%. One study finds that the best computer programmers are eight times more productive than average ones. When you find brilliance, even in the raw, embrace it with open arms.

Tap into Untapped Talent

Discover underutilized pools of talent. If everyone in your market is trying to hire the best MBAs, think of other graduates who can quickly become better than a cookie cutter business major. You need someone in marketing? Hire psychologists. Hire artists. Mix up experts and generalists. Organizations thrive on a mix of hedgehogs and foxes, not necessarily purple squirrels. Look for diamonds in the rough, and help them to sparkle.

Be creative about how you draw talent. Make recruitment a fun, challenging game. Some companies are now running contests. Contestants from all around the world enter, for example, a programming competition, and the top performers are identified and eventually hired. Sometimes, the company is surprised to find that top performers are autodidacts from Timbuktu or Iceland with the abilities of an MIT computer science major.

Think particularly about demographics that have been underrepresented. In 2012, the unemployment rate for young veterans was more than 20 percent, and the U.S. Chamber of Commerce launched a "Hire Our Heroes" initiative as a response. Think creatively about how the experiences veterans have gained in the tough demanding environments of the military might translate to positions. Women and minorities are still facing challenges in the market. Seek them out. Introduce flexible work schedules to accommodate family constraints. Allow telecommuting.

Expand your word of mouth networks to make it known that you are hiring, and why your company is a great place to work. The added bonus: the payoffs of cross-disciplinary and diverse teams are significant. We get perspective, fresh ideas, and we expand our professional networks.

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Beware of Security Overkill

Obsessive secrecy kills innovation. Too many companies, fearing leaks and raids of their ideas and talent, become too controlling for their own good. Procter & Gamble learned this the hard way. In the past, its culture of control and intimidation resulted in the loss of talented employees who sought work elsewhere. Excessive monitoring led to the imposition of rules that choked off potentially great synergies. Employees were told not to be part of professional networks or attend trade shows for fear that they would disclose secrets. Even within the corporation, memories and experience were lost from one generation of employees to the next.

This was all bad for business, and P&G eventually changed their approach. The company rightly understood that it had to become more accommodating and more open to the outside world if it wanted to continue to be an industry innovator. Today, P&G embraces more openness. Indeed, more than 35% of the company's new products now come from outside. P&G is following in the footsteps of companies like Syntex, who allow outsiders, including competitors, to visit their facilities and interact with their staff. A company that is open to outside ideas is also more likely to benefit from the movement of its creative workers. During the 1990s, Syntex ran a post-doctoral program which brought young engineers to intern at the company for a few years, even if they later chose to return to competing companies. The return from inviting outside engineers to engage with intra-firm development teams outweighed the perceived proprietary interest loss.

I see too many companies trying to intimidate workers from leaving, and attempting to compete by binding employees with draconian rules of confidentiality. But for the most part, knowledge exchanges do not threaten a company's competitive advantage. Organizations that close themselves off, sinking into the depths of secrecy measures, limit their capacity to recognize and make use of valuable external information. The best thing you can do for your company is to teach your talent to rationally draw the line between sharing and safeguarding.

The Human Mind is Not Real-Estate

Today's economic empires are those of the mind. But you can't buy a brain on the market (yet). You can't expect to hire someone brilliant and use their mind as a commodity. "The creative mind plays with the object it loves," said Carl Jung. You need to nurture talent and enrich it. Creative people want to grow. We've gotten used to the idea of intellectual property as physical property, copying as stealing, hacking as ancient piracy. But that's an outdated mindset that spirals downward. Patents and copyright protections are not granted to abstract ideas, only to concrete expressions. But, many employers are trying to claim ownership even over the undeveloped ideas of their employees. In the late 1990s, telecom conglomerate DSC/Alcatel sued Evan Brown, a former employee, for an idea that existed solely in his mind. Through stories in publications from *Forbes* to *Playboy*, the media has been fascinated by the suit and its implications for modern inventors. *Wired* titled its story about Brown "Not a Penny for Your Thoughts," *TIME* magazine wrote "Calling Mr. Orwell," and Scott Adams was inspired to create a Dilbert strip about the Brown experience, showing an employee who was asked to "cough up his idea." Pragmatically, and indeed, cynically, when a company develops a reputation for treating their employees' minds as pieces of property, employees would rather quit and develop those ideas on their own.

Give your talent a feeling of ownership. The United States is unique around the world in its complete absence of any required compensation for employee-inventors. Companies have no obligation to compensate employees for profits derived from their inventions. Compare this to other countries with high patent competitiveness: Germany, Sweden, France, Israel, Japan—most countries legally require fair compensation to the inventor who assigns an invention to her employer. Smart American companies, despite no legal requirement to do so, use reward systems for their inventive workforce. Qualcomm, the San Diego based telecommunications R&D company, gives its employees a significant reward for any patent they help develop. Hewlett-Packard does the same. "The world owes as much to inventors as to statesmen or warriors," said Charles Duell, Commissioner of the Patent Office in 1899. His words are truer today than ever before. Make sure your inventors know they are appreciated. Use carrots instead of sticks.

Keep in mind that rewards are not measured only by salary. Making people feel appreciated is a better predictor of their retention than is the level of their salary. In fact, research shows that non-financial rewards have a greater effect on job satisfaction and the feeling of appreciation than do financial rewards. Employees truly value the promise of continuous learning and self-betterment.

Remember: It’s a Repeat Game and You Are in it for the Long-Haul

Think about it: Do you really want the reputation of a company that sues its employees when they try to leave? Unlike the Fordist era of intense employee supervision, we know today that less control can breed more loyalty and dedication among employees. Contemporary organizational psychologists warn against too much supervision, which can curtail self-motivation. Excessive surveillance has the counterproductive effects of mistrust and suppressed motivation. Social psychologist Robert Cialdini explains that when people perceive themselves as doing good work because they are supervised and observed, they will attribute their good performance not to their self-motivation, but to the coercive presence of those controls. They will become less engaged and less interested in the work. This is also true of the freedom to choose one’s employer. My own empirical studies show a clear negative effect on performance and motivation when employees were bound by non-compete restrictions and felt that their job mobility was restricted. In a series of experimental studies that my collaborators and I have conducted we find that when employees are asked to sign post-employment restrictions they quit the task more often and perform less well than when they remain free to leave in the future. Keep recruiting your own employees, but beware of locking up your talent so tightly that their stay becomes counter-productive.

Turnover is Not a Divorce— Be an Alma Mater, not a Sour Ex

Recently, human resource networks have been frantically chattering about the coming of a Turnover Armageddon. Clearly, companies gain when they hire their competitors' talent. But does a competitor's gain always mirror a loss? We tend to think of the talent wars as a zero sum game: the hiring company gains access to knowledge and taps into skill that had been built up by the former employer; the sending company feels the pain of losing a key player. But what we don't intuitively recognize are the positive effects on the sending company. In a repeat game, companies can learn to view many of their departing employees as continuing assets, and employee turnover as a long-term strength. New research from Wharton and the University of Maryland challenges the conventional wisdom of mobility as a negative event for the sending employer. On the sending side, an employer gains social capital and the thickening of its network ties. Former employees can become goodwill ambassadors for the company at industry associations events, professional conferences, and collaborative ventures. The movement of employees to high-profile firms brings attention to the sending company as a workplace that nurtures talent and opens up opportunities for exciting, long-lasting careers in that field. Businesses partnerships are often formed when key players have insight into the corporate cultures at both companies.

Think of your ex-employees as alumni. Leverage their success as a recruitment tool. Leading companies Microsoft, McKinsey & Co., Ernst & Young, and Shell are creating more formal opportunities to keep in touch with former employees, with monthly newsletters highlighting successful alumni, online forums, and cocktails and conferences that facilitate the ongoing connections between former employees and the company.

Some companies have strict policies of not hiring their former employees, no matter how talented they've proven to be and how sorry the company was to see them go. But the more rational approach is to consider the advantages of *boomerang hiring*. Re-hiring ex-employees can save significant costs in training and integration. It also signals to the world: we are a great place to work—even those who tried their luck elsewhere come back to us eventually!

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Keep Your Enemies Close

Why do so many start-ups choose to settle in the Silicon Valley, where competition over talent is fierce? Wouldn't it be better to hide out in a remote little town where no one is out to poach your most important assets? The answer is that despite the risks, regions dense with competition carry more benefits than costs for most ventures. The world may be flat, but geography continues to be the key for creative ventures.

In 1675, Sir Isaac Newton wrote in a letter to his rival Robert Hook, "If I have seen further (than you and Descartes) it is by standing upon the shoulders of giants." The present is no different for us than it was for Newton. No one can reinvent the wheel. Innovation happens at lightning speed, and we all need to stand on the shoulders of giants. Stephen Hawking titled his own book *On the Shoulders of Giants*. And Google Scholar, the massive search engine for scientific research, also adopted the phrase Stand on the Shoulders of Giants as its motto.

The more often people move jobs, the more knowledge there is in a region, business worlds become smaller, trimming the number of intermediaries between professionals and enhancing the quality of exchange. **So learn to love raids and leaks, talent, movement, and flow. Over time, everyone wins!**

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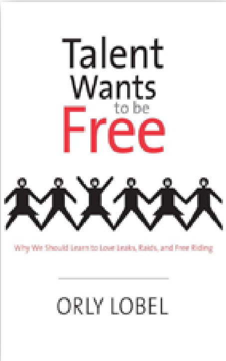

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ABOUT THE AUTHOR | Orly Lobel is the Weckstein Professor of Law and founding member of the Center for Intellectual Property Law and Markets at the University of San Diego. She is the author of three books and numerous articles on behavioral law and economics, innovation policy, human capital, regulation and governance. A world traveler and internationally acclaimed scholar, Lobel has taught at Yale, Harvard, Tel-Aviv, and UCSD. She lives in La Jolla, CA. Her website is orlylobel.com.

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