Transferable skills? Focus on internal talent rather than chasing after stars

If we get over the myth of talent portability, we can start to focus on developing the best and brightest within our organizations.



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By Boris Groysberg

There is a prevalent belief that professionals are free agents, meaning that so-called star

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performers can easily take their talents from one organization to another and continue to shine.

An outstanding professional at Goldman Sachs, for example, can move across the street to Morgan Stanley without missing a beat.

The logic is that, as knowledge workers, we own our means of production, and that whatever we know can be easily transported from one place to the next.

In a study of Wall Street analysts, however, colleagues and I found the story wasn't quite so simple. When star performers change organizations, they generally don't do as well, and their performance actually declines over the next few years.

This is because what drives the success of many professionals is the organization they work for and the internal networks they have cultivated.

Yet we continue to think we are portable, that we can go anywhere we want and continue to be successful in many different settings — when, in reality, a lot of individual performance is dependent on organizational context.

Dispelling the myths

Dispelling the myth of portability is important for both organizations and individuals.

It's important for organizations because an increasing number of companies rely more on recruiting star players and less on developing their own best and brightest. Indeed, some spend more on recruiting outside talent than on attention and resources for people inside their organizations.

This doesn't mean that companies should never recruit from outside — quite the contrary. But they should use outside hiring as a strategic complement to developing homegrown talent, which is the most sustainable strategy.

The biggest mistake companies can make is to disregard internal development and focus their attention solely on hiring star performers.

Striking the right balance between internal and external hiring is complex and varies according to industry and company. Keep in mind that the company capable of developing and retaining internal talent will have an edge over those companies unable (or unwilling) to

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do so, constantly forcing the competition to keep searching elsewhere.

Companies must determine what their ideal internal/external hiring ratio is by examining their business and talent development strategies and the industries in which they compete. But the tipping point is in the direction of internal talent development.

Women are the exception

It is worth noting a few exceptions — one of them being women. Female star performers, unlike males, often continue to thrive when they move from one organization to another. One of the key reasons is that, when men pull up stakes, they may give up many valuable networks that consequently affect their performance. Women, on the other hand, have learned to rely a lot more on their own abilities than on frequently male-dominated organizational networks. This self-reliance means they are usually able to control their own performance better.

Female stars also tend to be more selective. Before moving to a new company, they generally consider more factors than just remuneration and are more careful about finding a good cultural fit. They examine factors such as how many other women there are in the organization, and whether performance is measured objectively.

As such, companies would be wise to ensure they are giving women opportunities, because the positive results that women will achieve in new settings may well surprise many of them.

Cultural fit affects performance

Cultural fit takes on even greater importance when it comes to family-owned firms. When considering a move to a family business, highfliers should research not just the organizational culture but also the family culture, which is unique and affects performance.

As the world experiences significantly more mobility than 20 to 30 years ago, it is becoming increasingly important for companies and professionals to dispel the myth of talent portability.

Both star performers and companies should appreciate that it is often the organization that makes the individual successful, not vice versa. By nurturing homegrown talent, companies will boost their prospects for long-term success.

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