



# MOVING BEYOND THE WAR FOR TALENTS. ADDRESSING THE CHALLENGE OF HUMAN CAPITAL INTEGRATION

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## Abstract

Deploying talents is a complex task for virtually any organization. We suggest, however, that such an activity can be effectively carried out if HR managers pay attention to a quite overlooked organizational process, human capital integration. Indeed, human capital literature has empirically demonstrated that even star (i.e., highly talented) employees suffer from non-adequate performance upon joining their new organization, thus, it seems relevant to address this dark side in the process of acquisition of talented human capital. To do so, we advance a human capital profile approach and propose a comprehensive framework for coping with human capital integration.

## THE DARK SIDE OF THE WAR FOR TALENTS

A ManPower Group survey released at the beginning of 2020 reported that talents shortage has affected 69% of interviewed companies, while a Korn Ferry study maintains that at the end of this decade about 8.5 million jobs will go unfilled due to insufficient availability of skilled people<sup>[1]</sup>.



Recruiting talented people has become a mostly challenging task, because, although qualified human capital has always been deemed a highly important resource (Barney, 1991; Coff, 1997; Miles & Van Clieaf, 2012), its shortage has made it even more relevant, and organizations struggle for the recruitment of highly performing employees. As a result, hiring talents has become a mandatory task in, virtually, every industry, because this peculiar component of human capital is capable to bring to their organization an outstanding contribution in their quest for a sustainable competitive advantage (Keller and Meaney, 2017). This is testified with by a recent study, according to which top level human capital is four time more productive than average employees and also that, depending on the complexity of a given task, talented people perform up to eight times better than average-performing colleagues (O'Boyle and Aguinis, 2012). These astonishing figures explain why organizations engage in the so-called war for talents, a term coined by McKinsey consultant Steven Hankin and made popular by a book carrying this title (Axelrod et al., 2001).

Despite these remarkable data, however, it seems there is a dark side in the war for talents, since human capital studies have empirically observed that even star (i.e., top-performing) employees suffer from diminishing results upon joining their new organization (Croysberg, Lee, & Nanda, 2008; Campbell et al., 2014).

This unpleasant empirical evidence suggests that, besides recruiting top quality employees, HR managers must handle their integration, too, otherwise their company will experience a disappointing performance from these quite precious resources: in essence "merely having talented employees does not mean that a sustainable advantage exists." (Coff, 1997: 374).

Therefore, to achieve a sustainable advantage based on human capital, they must be effectively integrated. By human capital integration, in particular, we mean the effective combination of different types of expertise in the context of their actual deployment. Accordingly, we suggest that, to address the effective integration of human capital, HR managers must solve three organizational problems and, subsequently, follow a four-step path in order to achieve a smooth integration of newly recruited talents.

## Beyond talent acquisition: critical issues in human capital integration

Studies on human capital selection has explored almost exhaustively the effect of personal, educational, psychological and demographic factors on performance (Becker, 1964; Coff, 1997; Thomas, 1990; Williams & O'Reilly, 1998; Zannah, Mahat, & Ali, 2017; Wiklund & Shepherd, 2005). However, we surmise that extant studies missed to investigate adequately the relevance of a more intangible and nuanced phenomenon in the context of human capital, that is, the inherent complexity of bundling unique and idiosyncratic human resources (Sirmon, Gove & Hitt, 2008). To address this issue, we suggest that, besides generic human capital features, HR managers must cope with industry- and firm-specific human capital and with the degree of skillfulness and expertise of newcomers (Bailey & Helfat, 2003; Castanias & Helfat, 2001).



We suggest to pay attention to the bundling process of human capital, because it is a sine qua non for addressing the puzzle of poor-performing newcomers. More precisely, we suggest that human capital bundling is a specific managerial ability, by means of which achieving higher human capital performance (Sirmon, Gove & Hitt, 2008; Holcomb, Holmes & Connelly, 2009). In essence, the effective bundling of human capital allows for a better human capital integration and, this, in turn, leads to higher human capital performance. However, human capital bundling remains a largely underexplored issue. In this study, we maintain that human capital bundling deals with the ability to identify people profiles and, in turn, to match them adequately.

Accordingly, we recommend to rely on the degree of their previous experience and the locus where this experience has been obtained. This is because it is relevant to have in-depth information not only about people expertise, but also at what level (i.e., industry- or firm-level) it has been achieved. By taking account of both the degree and the locus of experience of individuals, thus, it is possible to define human capital profiles and to proceed to their effective integration.

## Unpacking the process of human capital integration

Another critical organizational challenge entails how to unpack human capital profiles, in order to better organize the bundling process. To do so, we draw on the above human capital features used to define people profiles, that is, on the level (i.e., industry and related-industry level vs firm level) and length of experience of human capital. These two features constitute two of the most relevant issues when HR managers deal with talent selection and recruiting (Castanias & Helfat, 2001), because, while literature recognizes the role of personality traits on job performance and individual behavior in the workplace, focusing on mediating mechanism on work motivation (Penny, David, and Witt, 2012; Barrick and Mount, 2005, Hogan, 1996, Hogan and Holland, 2003, Kanfer and Ackerman, 2000), the benefits of expertise (degree of experience) and type of competence (that is, whether people competence is more at the industry- or at the firm-level) require a more in-depth examination. This is because people competence is not always directly observable and, therefore, HR managers must rely on previous experience and responsibility held by candidate employees, in order to assess both their current value for and future fit with the new organization (Coff, 1997; Lepak & Snell, 1999).

Accordingly, we adopt the above features as the dimensions of a human capital profile typology (2x2 model), thanks to which we explore the different profiles of human capital and provide an examination of their characteristics. (Figure 1)

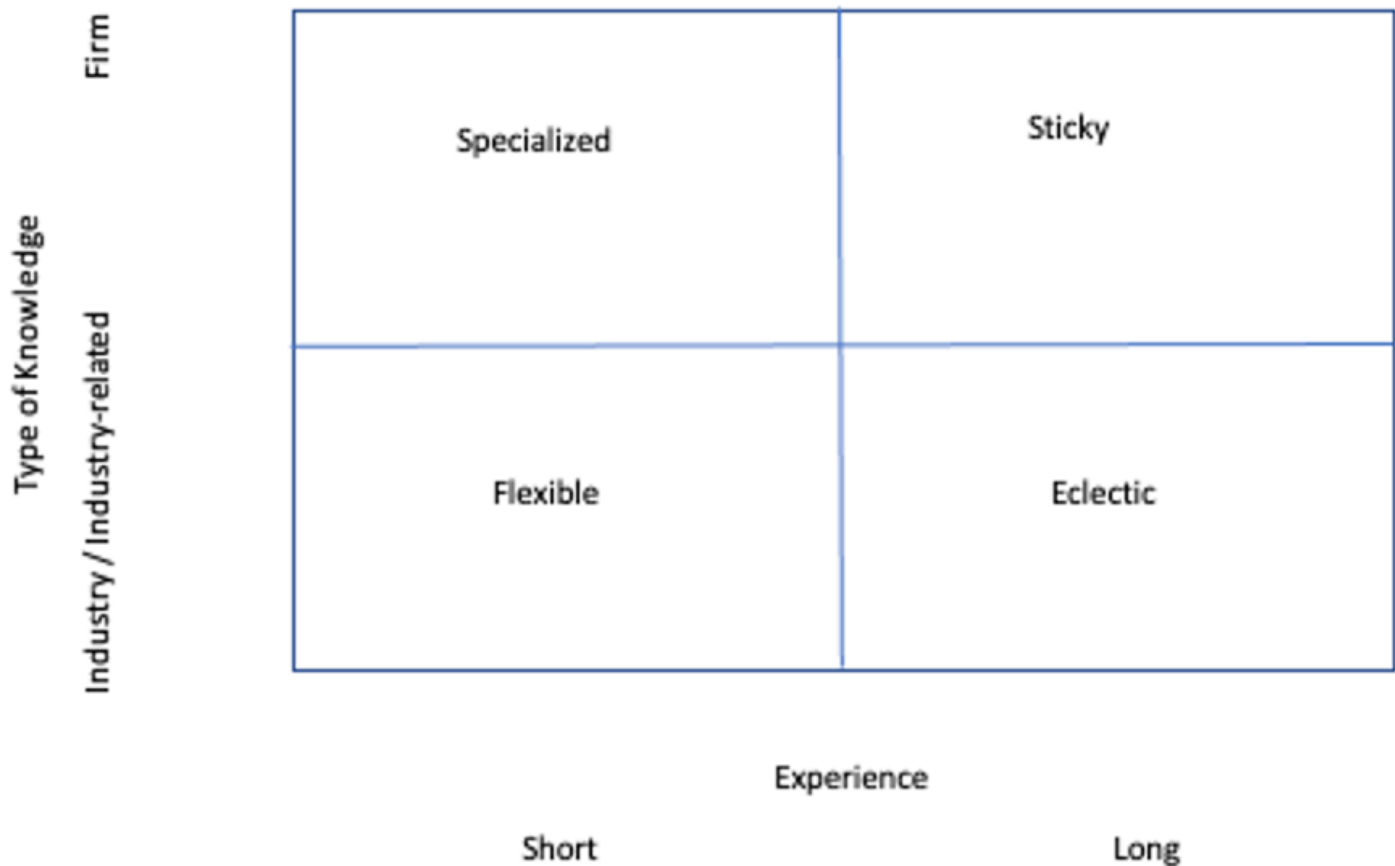


Figure 1- Human Capital Profile: matching degree of experience and type of knowledge

Quadrant 1 reports a type of human capital characterized by firm-specific skills and short experience, a profile that can be labelled as specialized, since they have been occupied mostly with firm-related issues; besides, considering the short experience of these individuals, it is likely that they have focused their career on a narrow range of tasks, hence, their competence specialization at the firm-level.

Quadrant 2 highlights a type of human capital whose skills have been developed at the firm-level and that has achieved a quite prolonged experience, a combination of features that recalls a sticky profile of human capital, given that a long experience of firm-level tasks seems to identify a quite contextual type of expertise.

Quadrant 3 deals with a type of human capital characterized by a quite extended experience associated with an industry-specific (or related-industry) set of competence, a profile that can be defined as eclectic, that is, a combination of features that suggests the ability to deal with a variety of issues and various contingencies.



Finally, Quadrant 4 reports a type of human capital characterized by short experience combined with industry-specific (or related-industry) competence, a profile that can be considered flexible since the short amount of time spent mostly on industry-related issues allows for his/her deployment to different tasks.

Once that we have introduced our typology of human capital profiles, it is important to connect it with the process of human capital bundling, in order to have a useful set of implications and prescriptions for human capital integration. In particular, we suggest to adopt the above typology in order to solve the puzzle of talent integration, taking account of the specific contingencies characterizing the context of talent deployment and utilization.

### 1. Exploring the context of talents deployment

To take advantage of highly qualified human capital it is important to focus on the actual context of their utilization (Coff, 1997; Priem & Butler, 2001; Castanias & Helfat, 2001). In particular, drawing from Castanias & Helfat (2001: 669), we recommend to consider the following issues: a) Stage of the industry life cycle; b) Changing technology and market conditions; c) Degree of regulation; d) Degree of homogeneity (similarity of firms); e) Extent of managerial discretion and Competitive conditions in an industry; f) Size and complexity of the firm; g) Economy-wide changes in business conditions. Subsequently, we suggest to combine the above issues and our typology of human capital profiles, so as to provide a framework for human capital bundling (Table 1).

**Table 1 - A framework for human capital bundling**

Issue	Implications for bundling	Recommendation for recruiting
A Stage of the industry life cycle	Industry evolution sets the rules for talent recruiting, thus industry level competence is a priority in this case. Early stages require experienced talents, whereas advanced stages need a mix of fresh and less experienced people for segmentation, differentiation and renewal purposes.	Priority-1: in early stage, attention to experience, in the same or related industry, to set the most appropriate business model. Priority-2: in advanced stage, attention to freshness and ingenuity for addressing evolving customer needs.
B Changing technology and market conditions	Technology shift and standard wars require the ability to foresee and handle the related issues	Priority to industry-related competence, in order to make the most appropriate make-or-buy decisions and adopt an adequate business model that fits the changed business environment.



Issue	Implications for bundling	Recommendation for recruiting
C The degree of regulation	Tightness of regulation guides this issue and the more cogent the rules of the game, the more people should be experienced both at the industry and the firm-level. Instead, loosely regulated industry will require freshness and creativity at both levels (i.e., industry and firm) of competence.	Priority-1: in tightly regulated settings, priority to industry-related expertise, for lobbying and relational activity. Priority-2: in less regulated industry, priority to creativity and ingenuity to boost innovation.
D The degree of homogeneity in an industry	Different degrees of industry experience are required in case of high homogeneity (for example, commodity and utility), so as to rely on both creativity and wisdom. In highly heterogeneous settings it is required, also, a prolonged firm-level experience.	Priority-1: homogeneous industries require both fresh and seasoned individuals with industry-level expertise; Priority-2: fragmented industries require, also, in depth firm-level knowledge of products and processes.
E The extent of managerial discretion and competitive conditions in an industry	Substantial managerial discretion and a loose regulation require fresh competency at the firm level coupled with broad experience at the industry level, in order to seize the various opportunities allowed by such a setting.	Priority to a well-balanced mix of creativity (at the firm-level) and experience (at the industry-level).
F The size and complexity of the firm	Large size and high complexity require the ability to deal with a variety of contingencies, thus, eclectic and flexible talents (whose experience is at the industry level) will provide the adequate type of competence. Instead, small and less complex organization will be an adequate context for specialized and sticky people (firm-level competence).	Priority-1: to industry-level expertise for large and complex organizations; Priority-2: to firm-level skills, for small and less complex organizations.
G Economy-wide changes in business conditions	For those industries that experience an expansion period, a mix of flexible and eclectic people provides organizations with adequate competence. Instead, in case of maturity and recession, competences at the firm level (costs and operations-related issues) provided by specialized and sticky people will be more appropriate.	Priority-1: expansion periods require industry-level competences; Priority-2: recession periods require firm-level skills.

Along with the examination of human capital bundling, we provide, also, some implications and recommendation for each point reported below.



- Stage of the industry life cycle. In early stages of an industry life cycle it is important to understand critical issues such as supply-chain organization, make-or-buy decisions, and value chain dynamics, just to mention a few. Therefore, it is important to bundle eclectic talents that can rely on a quite extended experience -that has been obtained in a similar industry (Castanias & Helfat, 2001)- along with specialized people, that is, less experienced employees, but more aware of firm-related issues. Instead, in a more advanced stage of an industry life cycle, when competitive conditions are quite steady, it is more important to deploy a different mix of talents, because other issues, such as efficiency, differentiation and customer loyalty, are more relevant in this stage; accordingly, under this contingency, a firm should rely on a mix of sticky people (i.e., knowledgeable talents whose skills are at the firm-level, mostly about existing products, processes and customers) balanced by a bunch of flexible employees whose industry-related skills may help identify new market niches and new customization practices.
- Changing technology and market conditions. In this case, a new competitive dynamic takes place, hence, the bundling process should aim to include both eclectic (because of their related-industry previous experience) and specialized (who can handle firm-level issues) people. This is a setting whose characteristics are similar to those observed in early stages of an industry lifecycle.
- Degree of regulation. Tightly regulated industries require highly experienced people, whose skills should handle both industry-and firm-related issues. For example, people characterized by industry-level expertise (eclectic) will cope with lobbying and other institutional issues, whereas, instead, employees with a firm-level prolonged experience (sticky) will be able to deal with product- and service-compliance issues. Instead, when industry regulation is loose, it seems appropriate to bundle people characterized by an overall shorter experience, assuming this as a condition that fosters creativity and innovation. Therefore, in this case, it seems appropriate to bundle specialized people (because of their product and process knowledge) with flexible talents (due to their industry and related-industry competence).
- Degree of homogeneity (similarity of firms). When an industry is characterized by substantial homogeneity, such as commodities and utilities, managers should bundle people characterized by a different level of expertise obtained at the industry level, that is, a mix of flexible and eclectic people. The former, given their shorter experience, will bring creativity and ingenuity whereas, instead, the latter, will provide experience and vicarious learning. Instead, when an industry is fragmented and offers substantial room for differentiation and segmentation, it seems appropriate to add to the above bundling-mix, also, some other firm-level competencies, such as those provided by sticky people, whose skills should allow to figure out in advance which product/market combination will work in a given market segment.



- Extent of managerial discretion and Competitive conditions in an industry. Industries with a substantial degree of managerial discretion and loose competitive conditions are characterized by a great extent of creativity and innovation, such as fashion, film-making, social media, video-games, just to mention a few; accordingly, in these settings, the bundling mix should include people characterized by heterogeneous experience obtained at different levels. In particular, the fresh approach of specialized people would provide the insights that expert eclectic talents should hone and make more viable. A narrow room for managerial discretion and tough competitive conditions instead, would resemble a set of conditions that are similar to those observed in the case of tight industry regulation.
- Size and complexity of the firm. Large and more complex firm are likely to require context-specific competence and expertise and, therefore, the bundling process should combine specialized and sticky people, whose skills will complimentarily provide their organization with the whole array of firm-related issues necessary to cope with the complexity that characterizes their context. Small and less complex firms, instead, will likely benefit from the presence of people whose skills allow for an effective understanding of industry dynamics and, in this case, eclectic talents should match their skills with specialized people.
- Economy-wide changes in business conditions. When an industry is experiencing a period of expansion, it is likely that industry-level expertise will allow a company to seize the opportunity provided by a given sector and, thus, bundling flexible and eclectic people would create an adequate mix of freshness and wisdom. Instead, if the economy faces a recession period, probably a company will require people whose knowledge of processes and costs will allow for the achievement of efficiency and cost-reduction, thus, a mix of specialized and sticky people would be more appropriate, under this contingency.

## A FOUR-STEP GUIDE TO HUMAN CAPITAL INTEGRATION

Once that the human capital integration has been unpacked and its main problems have been examined, we proceed with a four-step guide, so as to provide HR manager with a viable tool for addressing the whole human capital integration process. In particular, we suggest to follow these four steps (Figure 2):

- Identify the industry lifecycle dynamics, so as to have a clear picture of the company needs in terms of human capital;
- Assess the present human capital endowment, so as to clarify the actual gaps to fill;





- Set company priority, so as to provide people in charge of talent recruitment with a clear understanding of what the company needs are;
- Addressing critical issues of human capital bundling.

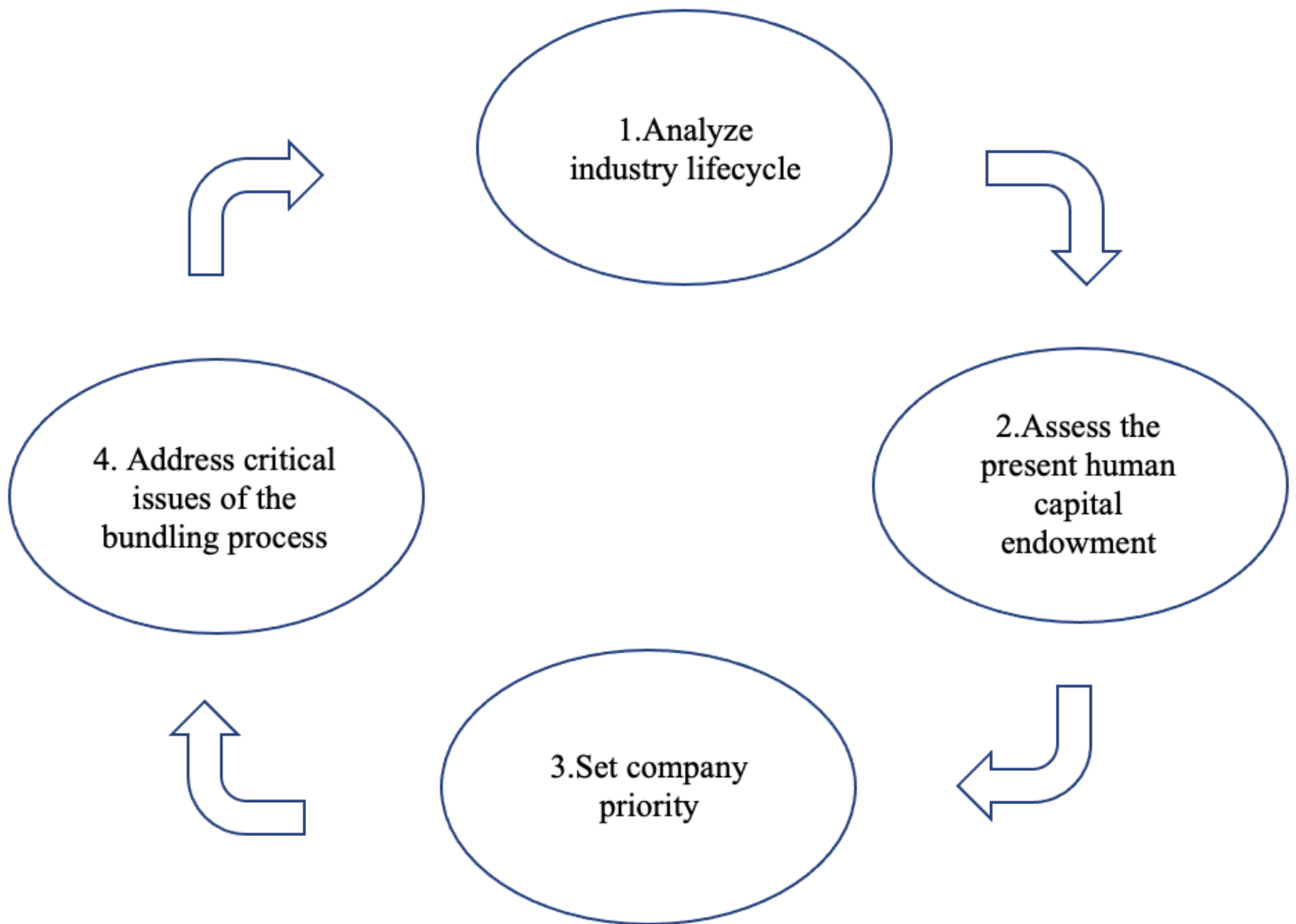


Figure 2 A four-step guide for effective human capital integration

## Industry lifecycle dynamics

As noted above, various contingencies may affect human capital integration and, among these, there are the



different competitive conditions associated with the stages of an industry lifecycle. In particular, a HR manager must figure out in advance what the company needs are, contingently to the specific stage of the lifecycle characterizing the industry in which the company competes. Mature industries differ to a large extent from emerging sectors; thus, the managers in charge of recruiting and integration process must take account of this critical issue and aim to acquire those talents that best fit with the actual stage of the industry lifecycle.

## Human capital endowmen

Although it could always be a good moment for acquiring new talents, however, before engaging in a war for talents, a HR manager should, first, examine the current human capital endowment available at his/her company and, then, proceed to recruit those profiles that allow to fill in the gaps. We suggest that to carry out this task, a company should run both qualitative and quantitative analysis on the present human capital endowment, so as to move beyond the mere appearance suggested by the need to replace, for example, an employee who has moved to another company or the request of a senior manager who aims to add more people to his/her team. Once that the human capital endowment has been scrutinized, it could emerge that there are gaps to fill even though no manager has raised any new request of people, nor any employee has moved to a rival company.

## Company priority

Consistently with previous points, it is important to keep in mind what the company priorities are and which profiles of human capital is instrumental to these priorities. This will allow to have a clear understanding of what human capital profile the company needs for filling existing gaps or to pursue new competitive challenges. However, without a clear set of priorities, the whole recruiting activity of new talents will follow a sort of random process, while, instead, new talents should be acquired only following specific company goals.

## Human capital bundling

Finally, it is important to ascertain the potentially hampering contingencies in the context of human capital bundling, since these are among the main causes that may lead newcomers to underperform. A first hampering condition is represented by an non-adequate mix of human capital profiles and, thus, we suggest to rely on the above typology and to pay attention to the actual condition of utilization of human capital reported in the previous section. However, it is possible to further support this activity by means of specific activities that may help integration. These activities may be represented, for example, by coaching, mentoring and other similar supporting processes and will be aimed at addressing specific bundling issues (for example, related to educational, geographical, cultural, professional and industry-related issues).



## CONCLUDING REMARKS

In this study we have tried to address a quite overlooked, but potentially highly critical issue, the dark side of the war for talents, that is, how to cope with poor performing talented newcomers. Our comprehensive framework has clarified that it is possible to match adequately the “right” human capital profiles, so as to have their appropriate integration and curb the risk of underperforming newly recruited talents. We are confident that our framework will provide large firms’ HR managers (but also entrepreneurs, SMEs managers and family business owners in charge of human capital acquisition and development) with a useful set of recommendations for addressing the dark side of the war for talents. All in all, human capital is and will be the most important among a company’s asset, therefore, coping with and addressing this issue is an unavoidable managerial responsibility.

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📄 "Why U.S. talents shortage is at a 10-year high" *Forbes*, September 22, 2021. Carolin Castrillon

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