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BOOK REVIEW

Chasing Stars: The Myth of Talent and the Portability of Performance; by Boris Groysberg; May 2010; Princeton University Press; pp. 446; price: Rs 1094.

Boris Groysberg, an Associate Professor at Harvard Business School, in *Chasing Stars: — The Myth of Talent and the Portability of Performance* has tried to determine if star employees can take their skills along with them when they move out, either to a competing firm, or to another industry or to doing something on their own. The findings in this book, together with well-analysed data dispel some myths and give us a new view on talent and its portability. The author studied the performance of 1000 star Wall Street analysts from 78 different firms.

In part one, Groysberg hypothesises that the analyst's firm plays a significant part in the performance of the analyst. These findings can have wide ranging interpretations from how much firms should invest in human capital to how much they should invest in technology. The author further asserts that by determining if Wall Street analyst skills are indeed portable, it is possible to extrapolate those results to other knowledge based industries as well.

While there are firms that do not take a clear stand on portability, not having either an elaborate analyst training programme or clear cut spending on technologies that help analysts perform better, most firms that house the best analysts have a view. They either take enormous pains to help their analysts gain the skills they need and create strong networks around them (junior analysts, sales reps, retail brokers, asset managers, traders etc) or they prefer to let them loose and not spend too much money other than compensation. In the former case the analyst is likely to develop firm specific human capital skills that can be used only within the existing system. In the latter case the analyst is likely to develop general human capital skills, which are more portable. Groysberg's research has shown that when an analyst leaves a firm, the probability of attaining a rank in the Institutional Investor[1] dips. While firm specific human capital can be used to explain this difference there are some other factors that merit attention. The chances of achieving a rank, though lowered, did not decrease as much when the analyst moved to a comparable firm (firms with similar capabilities). In fact analysts who moved to better firms 'experienced no decline in either short term or long term performance compared to that of star analysts who stayed'. Moving to firms that had lower capabilities was the worst kind of move.

Groysberg also establishes that the orientation of the analyst's original firm makes a difference. Analysts who left firms that promoted portability such as Credit Suisse First Boston and Salomon Brothers suffered least decline in performance. Those from firms such as Merrill Lynch and Goldman Sachs suffered strongest dips as these firms invested heavily in firm specific human capital, had elaborate training programmes and ensured that analysts always fit the culture. Groysberg's research also reveals that when star analysts left along with their teams, they experienced almost no decline in performance. Are stars worth the time and money? Groysberg's research shows that organisations that acquire stars suffer a small decline in their share price. Investors believed that such acquisitions destroy value.

The second part of the book investigates human resource (HR) practices in firms that cultivate and hire stars. While explaining and analysing non portability Groysberg divides it into soft and hard non portability. Soft non portability, promoted by firms such as Goldman Sachs which 'excelled at integrating its employees into a web of soft practices and procedures unmatched at other firms', is looked at in detail as is hard non portability which includes proprietary IT systems and products.

Firms hire stars either to explore a sector or to exploit a sector. In the former case stars need to set up a 'practice' while in the latter they need to expand what is an already established practice perhaps in need of an overhaul. In either case assimilating a star is not easy. Groysberg's investigations reveal that firms that were very good at integrating stars 'had deeply thought about both hiring and assimilation and had drawn up systematic plans to guide both processes'.

Groysberg then tackles the not well-explored aspect of whole teams of analysts moving. In his study, the author found that such team moves, often called 'liftouts', are not uncommon. The successful liftout, seemingly like a successful acquisition, consists of a courtship stage, followed by integration of top management, then integration of work processes and finally a full cultural integration.

Women who consisted of 18% of Groysberg's sample did not experience any significant decline in performance. Since women can rarely be part of traditionally male bonding

[1] Published since 1972, Institutional Investor (II) tracks the performance of analysts and ranks them. These rankings are used to support practices in hiring, bonus rollouts etc. by organisations.

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opportunities they strengthen relationships with outsiders, institutional investors, top management from the companies they cover, other analysts and the media. This gives them general skills, which they take with them when they move. Since these skills can be used elsewhere, star women analysts were able to ensure that their performance did not dip. This research has profound implications in the workplace.

In part three of the book, Groysberg begins by studying culture in organisations. While most organisations preferred hiring stars to training and developing them, 'firms with developmental cultures were far more successful at both producing and retaining stars'. The author also examines turnover and factors that cause it. Again Groysberg's research shatters some earlier held assumptions. Stars who were previously assumed to be more mobile and more free agent like were less likely to leave being surrounded by a developmental culture. While compensation and firm performance were important, factors such as department performance and strength, leadership and quality of teammates played a part in retention of stars. This goes to show that even in a profession that is perceived to be individualistic, soft factors like culture and teams matter.

The penultimate chapter deals with the measurement and rewarding of performance. Predictably there is no one-way to monitor analyst performance and thereby no unique way to reward performance either. Successful firms use mostly objective criteria and clearly demarcate between results and activity, choosing to reward the former.

The findings in the book have many applications in the field of work. The book points out that we often look at the phenomenon of portability through stereotypical lenses, and are prone to the first impression error[2] and the halo effect[3] and our mistaken assumptions about ourselves. If you are a star employee looking for a change, the author's advice includes—don't leave for money, do enough research, don't overestimate yourself and lastly, think long term.

Groysberg's portability studies also might have implications in many Indian organisations, particularly conglomerates or federations such as Mahindra and Mahindra, Aditya Birla Group and the Tata Group. All three have a history of transferring and moving managers from one unit to another. Perhaps it would be worthwhile to study how these moves have transpired both for the organisation and the individual. This could also entail studying how individuals move between cultures (those of each unit or company) while remaining in a seamless culture (that of the brand, parent or holding company). The book could give a strong impetus to research in HR. The reader can take away a lesson or two from how some of the most profitable firms in the world view and sustain performance. This is a book that must not remain only in libraries of business schools, but in the hands of those who drive performance either directly or indirectly.

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[2] Our judgments about people are very often based on what we see them doing when we first see them and these are wrong in many instances.

[3] When we assume that a person can be good at everything based on how good the person is at one activity.