

Hiring away star performers from competitors? Don't bother, says study

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Managers seeking to hire star employees away from competitors are likely to be disappointed with their costly new employee's performance – and the star is likely to be unhappy, too – according to the Management Insights feature in the current issue of Management Science, the flagship journal of the Institute for Operations Research and the Management Sciences (INFORMS®).

Management Insights, a regular feature of the journal, is a digest of important research in business, management, operations research, and Management Science. It appears in every issue of the monthly journal.

"Can They Take It With Them? The Portability of Star Knowledge Workers' Performance" is by Boris Groysberg and Linda-Eling Lee of Harvard Business School and Ashish Nanda of Harvard Law School.

In their study, the authors ask two major research questions: Does switching firms have an effect on the short-term and long-term performance of stars? And is hiring a star a value-enhancing or value-destroying activity for a firm?

From an empirical analysis of star analysts over a period of nine years (1988?), they find that hiring stars is advantageous neither to stars themselves, in terms of their performance, nor to hiring companies in terms of their market value.

The performance of a talented worker depends in part on firm-specific

human capital embedded in colleague relationships and firm capabilities. The issue of whether workers' performance is portable across firms is relevant for firms that seek to build a sustainable competitive advantage on star talent. The authors find that stars are imperfectly mobile resources that can represent a potential source of sustained competitive advantage for firms.

The findings suggest that managers hiring stars and the stars themselves should be wary of performance declines following moves to a new firm.

The current issue of Management Insights is available at mansci.journal.informs.org/cgi/reprint/54/7/iv .

Source: Institute for Operations Research and the Management Sciences

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