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If you're like most CEOs we know, you're down in the trenches, leading your company's war for talent from the front. The battle for the best and brightest people may be less fierce than it was five years ago, but, along with the U.S. economy, it's heating up again. At any rate, you've been hiring top performers wherever you could unearth them during the recession; that's way too important to delay or delegate. And when you do stumble across first-rate talent, you're willing to offer those stellar executives almost anything to come and work for you: huge salaries, signing bonuses, stock options—whatever it takes.

After all, you're pretty certain that companies can defeat rivals in the global knowledge economy by deploying better talent at all levels. Only the pick of the class can cope with today's business world, where executives have to anticipate change, adapt quickly, and make decisions amid uncertainty, right? Besides, A players are ambitious, brainy, dynamic—and charismatic. When you recruit talent from outside the organization, which is inevitable since

developing people within the firm takes time and money, why settle for B players? Hitch your wagon to a rising star, and the company's profits will soar.

That's a powerful idea, and several books and management gurus have popularized various shades of it over the past decade. In fact, it's the cornerstone of people management strategies in many companies. There's only one problem. Like many popular ideas, it doesn't work.

For all the hype that surrounds stars, human resources experts have rarely studied their performance over time. Six years ago, we started tracking high-flying CEOs, researchers, and software developers, as well as leading professionals in investment banking, advertising, public relations, management consulting, and the law. We observed that top performers in all those groups were more like comets than stars. They were blazing successes for a while but quickly faded out when they left one company for another. Since it wasn't at all clear why stars were unable to extend their achievements

across companies, we decided to delve more deeply into the phenomenon.

We recently completed an in-depth study of 1,052 star stock analysts who worked for 78 investment banks in the United States from 1988 through 1996. For the study's purpose, we defined a star as any analyst who was ranked by *Institutional Investor* magazine as one of the best in the industry in any of those nine years. As the sidebar on our methodology explains (see "Methodology to Watch Stars By"), we chose to study Wall Street's jet set partly because we found data on both their performance and movements between companies. The study was limited to that one group, however, and it's necessary to be careful about overgeneralizing the implications. Still, our findings were surprising, to say the least.

When a company hires a star, the star's performance plunges, there is a sharp decline in the functioning of the group or team the person works with, and the company's market value falls. Moreover, stars don't stay with organizations for long, despite the astronomical salaries firms pay to lure them away from rivals. For all those reasons, companies cannot gain a competitive advantage by hiring stars from outside the business. Instead, they should focus on growing talent within the organization and do everything possible to retain the stars they create. As we shall show in the following pages, companies shouldn't fight the star wars, because winning could be the worst thing that happens to them.

When Companies Hire Stars

Three things happen when a company hires a star, and none of them bodes well for the organization.

The star's luster fades. The star's performance falls sharply and stays well below his old achievement levels thereafter. Our data show that 46% of the research analysts did poorly in the year after they left one company for another. After they switched loyalties, their performance plummeted by an average of about 20% and had not climbed back to the old levels even five years later. So the decline in the stars' performance was more or less permanent. There's no dearth of examples: James Cunningham, who was ranked Wall Street's top specialty chemicals analyst from 1983-1986, dropped to third place as soon as he left F. Eberstadt for First Boston. Likewise, Paul

Mlotok, who specialized in tracking international oil stocks, dropped from number one in 1988 to number three the following year, when he moved from Salomon Brothers to Morgan Stanley.

Obviously, a star doesn't suddenly become less intelligent or lose a decade of work experience overnight when she switches firms. Although most companies overlook this fact, an executive's performance depends on both her personal competencies and the capabilities, such as systems and processes, of the organization she works for. When she leaves, she cannot take the firm-specific resources that contributed to her achievements. As a result, she is unable to repeat her performance in another company; at least, not until she learns to work the new system, which could take years.

Top performers who join new companies find that the transitions they must make are tougher than they had anticipated. When a star tries to learn about the procedures, personalities, relationships, and subcultures of the organization, he is handicapped by the attitudes of his new colleagues. Resentful of the rainmaker (and his pay), other managers avoid the newcomer, cut off information to him, and refuse to cooperate. That hurts the star's ego as well as his ability to perform. Meanwhile, he has to unlearn old practices as he learns new ones. But stars are unusually slow to adopt fresh approaches to work, primarily because of their past successes, and they are unwilling to fit easily into organizations. They become more amenable to change only when they realize that their performance is slipping. By that time, they have developed reputations that are hard to change.

It isn't surprising that stars don't stay with companies for long. Around 36% of the stock analysts left the investment banks that hired them within 36 months, and another 29% quit in the next 24 months. That's a high rate of attrition even by Wall Street standards. Once stars start changing jobs, they keep moving to the highest bidders instead of allowing employers to build businesses around them. In fact, the study showed that every additional job that an analyst had held increased the probability of the individual's leaving.

The group's performance slips. Most executives realize that a star's appointment will hurt the morale of the people she will work with, but they underestimate the aftershocks. The ar-

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fall of a highflier often results in interpersonal conflicts and a breakdown of communication in the group. As a result, the group's performance suffers for several years. Sometimes, the team (or what is left of it) returns to normal only after the star has left the company.

The money that stars make isn't the only problem. Their coworkers often become demotivated because they feel they must look outside the organization if they want to grow or to occupy leadership positions. Their suspicions are fueled by the fact that senior executives provide more resources to a newly hired star than to a company stalwart even if both have performed equally well. Companies are eager

to please stars and often offer resources as part of the hiring package. Loyal employees become embittered, because without resources, they cannot perform as well as the hired guns. Junior managers take the star's induction as a signal that the organization isn't interested in tapping their potential. That often results in demoralization in the group.

At one investment bank, the head of the research department told us: "I painfully learned that hiring a star analyst resembles an organ transplant. First, the new body can reject the prized organ that operated so well inside another body...On some occasions, the new organ hurts healthy parts of the body by de-

Methodology to Watch Stars By

We first started tracking corporate America's stars, such as CEOs of *Fortune* 100 companies, chief software developers, and ace investment bankers, as well as hotshots in advertising, consulting, and corporate law, in 1998. Stars had two characteristics: They were superior performers and they were treated as such by employers. Over the years, we started noticing that many stars didn't perform as well after they left the companies where they had earned their reputations. That's when we began to wonder if executive performance is as easily portable as employers (and employees) believe.

To analyze the performance of stars over a long period of time, we decided to focus on star stock analysts (they are also called research or sell-side analysts) in the United States. There are several reasons why we chose to focus on that competitive, high-profile, and highly paid group (star analysts earned \$2 million to \$5 million a year then).

First, we could get reliable data on both the performance of star stock analysts and their movements between companies. We used a reliable proxy for performance. Since 1972, *Institutional Investor* has published an annual ranking of the best stock analysts. The magazine asks institutional money managers to rank the analysts who "have been most helpful to you and your institution in researching U.S. equities over the past 12 months." The money managers evaluate analysts on six criteria: earnings estimates, accessibility and responsiveness, service quality,

stock selection, industry knowledge, and written reports. They give every analyst a numerical score, and *Institutional Investor* weights the scores by the size of the voting firms. The magazine ranks the top four analysts (first, second, third, and runner-up) for every industry. The rankings are accepted both on Wall Street and by academics as a reliable proxy for analysts' performance. Several studies have shown that the forecasts made by ranked analysts are superior to those of unranked analysts. Ranked analysts generate more accurate and more frequent forecasts, and their reports have a bigger impact on stock prices. In 1996, less than 5% of all the analysts in the United States were ranked analysts, or, according to our definition, stars.

Second, we chose to focus on stock analysts because they suffer few distractions when they change companies. Most analysts live in the New York area, and when they switch jobs, they usually don't have to relocate. They don't change the sectors they track when they join other organizations, because companies hire them for their specialized knowledge. Moreover, the analysts' customers don't change, because institutional investors refer to 24 reports, on average, per industry before making decisions. It would therefore be logical for us to attribute the change in a star analyst's performance mainly to the change in the organizational setting.

Third, we suspected that most companies

and executives believed that the performance of research analysts, and especially that of stars, depended on their talent. For instance, 85% of the people we interviewed on Wall Street believed that the analysts' performance was independent of the companies they worked for. If we were able to establish that the performance of stock analysts was not portable, it would most likely follow that performance was not portable for most other executives or professions either.

From *Institutional Investor*, we gathered data on name, industry sector, type (equity versus fixed income), rank, year of ranking, and company affiliation for both equity analysts (who are ranked every October) and fixed-income analysts (who are ranked every August) from 1988 through 1996. Over that nine-year period, we found 4,200 analyst-year combinations (3,514 equity and 686 fixed-income analysts). If every analyst who appeared in the rankings was counted only once, the list included 798 equity analysts and 254 fixed-income analysts and added up to 1,052 star analysts who worked for 78 investment banks. By comparing the rankings with the movements of the analysts over the years, we were able to figure out the changes in performance when they changed companies. To round off the research, we studied 24 investment banks in depth, conducting 167 hours of interviews with 86 stock analysts and their supervisors.

An executive's performance depends on both her personal competencies and the capabilities of the organization.

manding a disproportionate blood supply...Other parts of the body start to resent it, ache, and...demand attention...or threaten to stop working. You should think about it very carefully before you do [a transplant] to a healthy body. You could get lucky, but success is rare.”)

The company's valuation suffers. In spite of the positive publicity companies get when they sign up stars, investors perceive the appointments as value-destroying events. For example, in 1994, every hiring announcement by Bear Stearns, Merrill Lynch, and Salomon Brothers resulted in a fall in their stock prices. We found that the stock prices of the investment banks we studied fell by 0.74%, on average, and investors lost an average of \$24 million each time the firms announced that they had hired a star. That's ironic, because companies usually roped in stars when their stock prices were underperforming relative to the industry.

Many investors apparently believe that while compensation for a star with long tenure is more or less commensurate with performance, rivals are blinded by stars' status and overpay in order to bag them. Second, shareholders seem to assume that most stars leave when they are near their peak and that their performance will decline after they join a new firm. Third, canny investors interpret a star's recruitment as a signal that the company has embarked on a hiring spree. For instance, one investment bank hired 20 executives within six months of recruiting a star analyst—and overpaid many of them, too. The stock market anticipates the impact of all the future hires on the company's wage bill and pulls its share price down.

Clearly, when companies try to grow by hiring stars, it doesn't work. Over the last two decades, several financial institutions have tried to break into the U.S. investment banking industry by luring away their rivals' best stock analysts. None of them made much headway, and most pulled back after losing millions in the process. For instance, in 1987, Prudential Securities kicked off Project '89, hoping to become one of the top investment banks in the United States over the ensuing four years. In the first five months, the company hired 30 senior investment bankers and 12 star analysts. Prudential offered higher salaries and bonuses than any other company on Wall Street, and

unlike other firms, it didn't tie them to performance. But the company soon ran up losses and had to abandon its game plan. Not only did Prudential stop recruiting more analysts by 1988, it also fired 25% of the stars it had hired.

Similarly, when investment bank Drexel Burnham Lambert collapsed in February 1990, Arthur Kirsch, then the head of its equity operation, cherry-picked 70 professionals. They moved with him to County NatWest Securities, the U.S. securities arm of National Westminster Bank, a British bank that was trying to grow. In less than two years, most of the stars had defected because they could not rebuild their franchises. In December 1992, Kirsch too resigned, and County NatWest gave up trying to become a power player on Wall Street. Another example is Barclays de Zoete Wedd (BZW), Barclays Bank's investment banking arm, which snapped up 40 star analysts and salespeople from Drexel in 1990. Less than a year later, BZW asked Howard Coates, the head of the firm's equities division, to step down because of the losses the operation had run up. His successor, Jonathan Davie, ended BZW's attempt to grow by collecting scalps and asked many of the expensive new recruits to leave.

The Drivers of Star Performance

Most of us have an instinctive faith in talent and genius, but it isn't just that people make organizations perform better. The organization also makes people perform better. In fact, few stars would change employers if they understood the degree to which their performance is tied to the company they work for. One indicator: When researchers studied the performance of 2,086 mutual fund managers between 1992 and 1998, they found that 30% of a fund's performance could be attributed to the individual and 70% was due to the manager's institution.¹

Our study confirmed that company-specific competencies drive stars' performance. We drew a distinction between the six biggest investment banks (Credit Suisse First Boston, Goldman Sachs, Lehman Brothers, Merrill Lynch, Morgan Stanley, and Salomon Brothers) and the other 72 firms we studied because the first group provided employees with many more resources than the latter did. Of the analysts we studied, 57% moved between companies with similar capabilities, a quarter

left one of the six biggest investment banks for one of the smaller ones, and 18% moved up from small to big. As we had suspected, the performance drop was most pronounced after the star analysts moved from one of the big companies to one of the small firms, losing company-specific resources in the process. When stars hopped between companies with similar capabilities, their performance dipped for only two years. From the third year on, they did as well as the analysts who had not changed firms, presumably because they were able to pick up some company-specific skills. The performance of analysts who migrated from smaller to bigger firms often did not dip, possibly because they acquired new resources, although they still didn't do any better than before the move. Moreover, stars who brought with them teams of research analysts, salespeople, and traders performed better than analysts who moved solo. Thus, the company is a large part of the reason why stars become and stay stars.

Everyone is familiar with the individual factors that contribute to performance: innate abilities, education (including professional training), and a person's external social networks (industry contacts and some clients). But most companies underestimate the degree to which stars' success depends on the following company-specific factors:

Resources and Capabilities. Only after a star quits does he realize that the company's reputation as well as its financial and human resources allowed him to do the things that really mattered. A star analyst who left Merrill Lynch for a smaller investment bank told us: "I spent three days trying to get the investment relations people at a company to give me some information that would have taken my assistant at Merrill less than an hour to obtain. Then I tried to populate a spreadsheet with some sector data that was available at my fingertips at Merrill but was nonexistent at the new company."

Systems and Processes. Though stars often complain about them, corporate procedures and routines contribute in many ways to individuals' success. When Lehman Brothers' research department was ranked number one in 1990, its star analysts had nothing but praise for a team-based research process that allowed them to work across sectors and an investment committee process that helped them

evaluate research rigorously. They also made special mention of Lehman Brothers' information technology systems, which allowed analysts to deliver reports ahead of rivals, and an evaluation system that kept analysts up-to-date on how they were performing.

Leadership. In most companies, bosses give talented employees the resources and support they need to become stars. In the firms we studied, it was up to research directors to decide how analysts should allocate their time, what companies they should cover, how many reports they should write, and how many client visits and telephone calls they should make. The directors also determined what proportion of the departmental budget should go to each analyst and what her compensation should be. It was impossible for analysts to survive without supportive supervisors. Between 1990 and 1992, when Lehman Brothers' equity research department was the best on Wall Street, its star analysts attributed their success in large part to the direction and guidance provided by their bosses, Jack Rivkin and Fred Fraenkel. We also found that managers who work for the same boss for a long time stay longer than those who have to constantly adjust to new supervisors.

Internal Networks. By encouraging people to forge relationships across functions and disciplines, companies help them deliver better results. For instance, the research generated by the investment firm Sanford C. Bernstein put the company on the map, but its analysts were able to compete because a strong sales team supported them. The sales representatives communicated the analysts' recommendations to clients and the clients' decisions to the analysts. They also kept the analysts in contact with clients' money managers. Reasoning that clients would never find out about its talented analysts if its salespeople were weak, the firm encouraged analysts to team up with salespeople, and it created a culture that fostered such relationships.

Training. While attending in-house training programs may not add market value to stars, it helps them perform better within the organization. Smart companies use such programs to inform executives about the resources that are available and how best to use them. In fact, the ways executives leverage a company's capabilities often decides who becomes a star—and who does not. For instance, Lehman Brothers' stars greatly valued a 13-week train-

In business, the only viable strategy is to recruit good people, develop them, and retain as many of the stars as possible.

ing program the company had created that taught them, among other things, how to structure and format reports. One of the analysts described the program as the “rocket that took them to stardom.”

Teams. Despite their egos, stars know that one of the things that distinguishes them from rivals is the quality of their coworkers. For example, star analysts often integrate portfolio strategists’ research into their reports, and they feel that its quality is critical to their performance. Many stars also acknowledge that working with smart colleagues sparks ideas that stimulate productivity. Teammates often help stars by counseling and coaching them and serving as role models. A little prodding is sometimes necessary; in order to ingrain a team mentality in the organization, Lehman Brothers stipulated in 1992 that every analyst’s presentation had to refer to at least two compatriots. Goldman Sachs’s legendary coleader from 1976 to 1985, John Whitehead, once cautioned an analyst: “At Goldman Sachs, we never say ‘I.’”

Although many companies have ample resources, good systems, and smart people, executives and professionals often forget that every organization works a little differently. The informal systems through which executives find information and get work done are unique to each company. When stars join new organizations, they must learn about the informal networks and build trust with other people before the systems will work for them. However, stars don’t give themselves enough time to get up to speed in new settings because of their egos. They also invest in skills they can use across different companies and don’t care about developing their firm-specific knowledge because companies treat them as free agents.

Some corporations are better than others at integrating stars, but it’s more important for every company to grow its own stars, even though the process may be time-consuming, expensive, and risky. Not only do homegrown stars tend to outperform imported stars, they are also more loyal. They realize that they outperform rivals in other firms because of their companies’ capabilities, so companies only have to develop those competencies in order to retain their stars. As we shall show, companies like Sanford Bernstein and Lehman Brothers were able to grow many stars. They didn’t pamper their A players either, since both the

star and the organization knew that they were tied to each other. Interestingly, companies like Goldman Sachs, which retained most of the talent it created, were also able to absorb stars when they did hire them.

How Companies Grow Stars

Companies are never explicit about it, but they usually adhere to one of three people-development philosophies. Most firms hire hardworking people, don’t do much to develop or retain them, but focus on retaining the high-level stars they bring in from outside. Others recruit smart people and develop some into stars, knowing that they may lose them to rivals. Only a few corporations recruit bright people, develop them into stars, and do everything possible to retain them. American baseball teams are the same: Some franchises hire the best free agents and pay little attention to their farm teams, others have great farm teams but don’t hold onto the highfliers, and a few have good minor league outfits that feed the major league team. Any of those approaches may let a team win the World Series once, but in business, the only viable strategy is to recruit good people, develop them, and retain as many of the stars as possible.

That sounds tough, but it isn’t impossible, as companies like Sanford Bernstein and Lehman Brothers demonstrated in the 1990s. They didn’t use fancy tricks or shortcuts to develop stars; they were patient about the way they chose people and painstakingly trained them to excel. For instance, Sanford Bernstein took plenty of time to identify the right person for a job. Once the company decided it needed to track an industry, it spent two years, on average, looking for an analyst. If the firm couldn’t find a good-enough candidate, it left the position vacant. While Sanford Bernstein used several search firms, none of them were Wall Street headhunters, because the company preferred candidates from business and consulting. As a rule, it avoided hiring from rivals because it believed that even smart youngsters wouldn’t be able to change their habits and do things the Bernstein way.

For every analyst position, Sanford Bernstein screened 100 résumés and rigorously interviewed 40 to 50 people. Each candidate visited four to six times and met with 20 to 30 people. Interviewers tried to identify bright, creative, personable people; assessed intellect,

quantitative skills, and drive; and tested candidates' ability to adjust to different audiences. CEO Lisa Shalett told us, "The case I've often posed to applicants is: 'The Rolling Stones are going to give a concert in the park. How would we estimate how many people are going to come? Does it matter that it is a free concert?' The answer wasn't as important as the process by which the candidate arrived at one. I try to gauge how tenacious she is. Does she give up easily? Does she come up with a one-word answer?" After the interviews, a human relations expert and a psychologist met with the candidates to evaluate their motivation and ability to fit in with the company culture. Around 20% of the applicants were weeded out because they did not win the experts' approval. Hiring each analyst cost the firm an average of \$500,000 to \$1 million.

Lehman Brothers' research department, too, used a team-based hiring approach. Several people in the department interviewed each would-be analyst. Fred Fraenkel, the company's global research head from 1990 to 1995, told us: "I tried to figure out whether the candidate had the intellectual capacity and work ethic to become an industry expert....The third issue was whether the interviewee was capable of representing those two qualities to clients, orally or in writing, so that he or she could gain recognition. The fourth was our magic bullet. I asked myself whether the interviewee was someone people were going to like. If he or she wasn't, I would let them go." Jack Rivkin, Lehman Brothers' research director at the time, was emphatic about whom he would not hire: "I have a no-jerks policy. To me, a jerk is someone difficult to manage, marching to his own drummer, not interested in what is going on in the department and the firm. We are not going to have people like that here." The interviewers usually decided the fate of candidates by consensus; nobody could pull rank, and there was no counting of votes. If any interviewer had concerns that could not be resolved, the firm would pass on the applicant.

Training and mentoring were as important as selection. For instance, participants in Lehman Brothers' 13-week training program ranged from MBA graduates to 50-year-olds who had been analysts with the company for 15 years. The firm's top analysts offered sessions on subjects like analyzing balance sheets, creating something special in your re-

search, and dealing with investment banking. They also offered nuts-and-bolts lessons on how to conduct individual or group meetings, how to deal with different kinds of clients at a group meeting, and how not to say stupid things to the press. In addition to granting recognition to the company's experts, the program made analysts feel they had been initiated into a fraternity, and it strengthened their feeling that Lehman Brothers was a fun place to work.

Not only did Sanford Bernstein and Lehman Brothers turn people into stars, they also managed to retain many of them. The compensation they offered was competitive, but retaining stars requires more than salaries. Aware that stars wanted to broaden their skill bases, the firms encouraged them to do so. For instance, they invited star analysts to speak on behalf of the company at conferences and allowed them to develop relationships with clients. They also publicly recognized star analysts' contributions because the stars needed to feel a sense of achievement. Both companies eased the work/life tension by giving stars flexibility. Lehman Brothers' Rivkin encouraged star analysts to establish home offices so they could spend more time with their families. The analysts so loved working for Rivkin that Lehman Brothers managed to retain them despite paying 25% to 30% less than rivals—a gap that Wall Street dubbed the Rivkin discount. When the firm's work environment changed after Rivkin left in 1992, the company faced an exodus of talent. In a 15-month period that ended in June 1995, 30 of 72 research analysts, including 15 stars, left the company. More recently, Lehman Brothers' current research director, Steve Hash, reintroduced many of the firm's earlier practices, and his department was ranked number one by *Institutional Investor* in 2003.

If You Must Hire Stars...

Should companies ever hire stars? From 1988 to 1996, only three of 24 investment banks we studied in depth were able to integrate star analysts into their organizations. Our answer is therefore predictable.

Still, let's look at the data. Of the stars hired by the investment banks, 37% were brought on board to enter new businesses, 26% came as replacements for star analysts who had left, 20% were hired to fill the vacated posts of nonstar

analysts, and 17% were intended to strengthen existing research teams. The stars whose performance declined the most were those who had been hired to establish new businesses or strengthen teams. The former couldn't cope, we believe, because there were few complementary capabilities they could use, and the latter had to fight the system—that is, the existing team. The performance of the replacements and substitutes did not decline, because they stepped into vacuums and learned to use the companies' resources. Thus, companies can get the most out of outside stars by hiring them either as replacements for departed stars or as a way of raising standards.

It isn't easy to integrate stars into organizations. We found that smart companies identified the attributes of the stars they had created and made sure that the stars they hired had the same qualities. Because much of a star's effectiveness depends on knowledge about and relationships within the organization, the companies targeted stars from similar firms or identified stars whose performance was driven by general skills. The best recruiters didn't shop down the road. They looked far and wide to identify up-and-comers and relatively unknown stars from regional firms, even scouring smaller and global markets.

Only the companies that drew up detailed plans were able to assimilate stars. Take the case of Goldman Sachs, which successfully integrated many of the stars it hired. The company collected a great deal of information, ranging from the performance of recommended stocks to the quality of written research, on every star analyst it hired. It made hiring decisions in consultation with other company functions, such as institutional sales and stock trading. Upon learning that the research department was bringing in a star, the other departments started building a presence in the star's area of expertise before the individual arrived, even if doing so involved re-

cruiting people. Finally, Goldman Sachs's sales force helped the stars package their research reports, and it leveraged its ties to institutional investors to get clients to accept the recommendations quickly.

At the same time, smart companies, aware that it takes time for stars to adjust to new settings, design long-term performance goals. It's important that the deal be structured in such a way as to reward the star's performance and help coworkers cope with his entry. Companies must strike a balance between guaranteed compensation and other incentives. Finally, firms must never forget the stars they already have. Goldman Sachs, for instance, avoided demotivating its homegrown and previously hired stars by offering them and its newcomers the same range of compensation.

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Sad to say, many companies don't realize that their human resource philosophies dictate how successful—or unsuccessful—they are at developing stars. Between 1988 and 1996, Sanford Bernstein was able to make a star out of one in five analysts; Merrill Lynch's rate was one in 30. Moreover, it took analysts at Merrill Lynch 12 years, on average, to climb to the top, but at Sanford Bernstein, they did it in four years flat. Was it sheer coincidence that Sanford Bernstein focused on growing stars while Merrill Lynch poached as many as it could from other companies? We don't think so; if companies want to, they can develop stars. Indeed, the first step in winning the war for talent is not to hire stars but to grow them.

1. Klass P. Baks, "On the Performance of Mutual Fund Managers," unpublished manuscript, November 2001.

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