IN THE TRENCHES AT THE TALENT WARS: COMPETITIVE INTERACTION FOR SCARCE HUMAN RESOURCES

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A number of indicators suggest that the social norms that once deterred labor market competitors from hiring or "poaching" each others' employees are breaking down. This study explores the competitive interaction that results when one firm attempts to hire employees from a competing firm (known as "talent raiding"). Results suggest that attributes of the raiding firm, the targeted firm, and targeted human capital will affect how a targeted firm responds to a talent raid. The study suggests a number of tactics raiding firms can use to avoid retaliation and suggests tactics targeted firms can use to repel would-be talent raiders. © 2002 Wiley Periodicals, Inc.

> "Competition to the businessman is whatever he has to do to get business away from his rivals and whatever they do to take sales away from him" (Dean, 1954, p. 8).

The key resource for firms competing in the new economy is no longer land, capital, or hard assets but the human capital necessary to adapt organizations to global competition and maximize the benefits associated with the current technological boom. The connection between human capital and financial success is not a secret held by a few firms but an understanding shared by top management teams across all sectors of the economy. Although the American economy is much weaker than it was five years ago, the unemployment rate remains at historical lows ("Regional Report," 2001; U.S. Department of Labor, 2002). This combination of a better understanding of the value of human capital and its simultaneous shortage has forced firms to compete aggressively to acquire and retain talent to maintain operations and continue to grow. The purpose of this study is to develop a better understanding of how firms are competing for this valuable but scarce resource.

Rather than examining how firms are simply adjusting their HR policies to accommodate the labor shortage, it is important to understand how firms are competing with their rivals for scarce human resources. Strategy, including human resource strategy, involves the acquisition, development, and deployment of resources while anticipating and responding to a large variety of market forces. Strategy also involves anticipating and responding to the tactics of direct competitors in an effort to maintain competitive parity and incrementally build competitive advantage. A basic knowledge of the dynamics of interfirm competition, the fundamental unit of competition and strategy, is an important component of strategic management (Chen, Smith, &

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Grimm, 1992; MacMillan, McCaffery, & Wijk, 1985). This article explores if, how, and why firms compete with direct competitors for scarce human resources.

Review of the Literature

Nationwide, the unemployment rate is hovering just under 6%. Of the 305 metropolitan areas tracked by the Department of Labor, ninety-six reported unemployment rates of 5.5% or lower. Sixteen of these areas reported rates below 2.5%. Although the current economic slowdown has resulted in layoffs and increasing unemployment, these trends follow a period of the lowest rate of unemployment in the history of the country (U.S. Department of Labor, 2002). Demographic and economic trends suggest the unemployment rate will stay well below historical averages for the foreseeable future. Over the last thirty years, the economy has grown by 200% while the American birthrate has dropped by 24% (Leonard, 2000). The Bureau of Labor Statistics predicts that the American economy will continue to grow at the rate of 2.4% per year for the next eight years while the labor force is only expected to expand by 1.2% per year resulting in fewer workers to fulfill economic needs (Oldham, 2000). In addition to demographic trends, rapid changes in the product markets deter firms from retraining current employees and force them to search for ready-to-work talent through aggressive recruiting (Cappelli, 2000). Finally, small and mid-sized companies have greater access to flush capital markets allowing them to offer pay and benefit packages on par with large companies (Cappelli, 1999). The current conditions of low unemployment, economic growth, and aggressive competition for workers has been called "The War for Talent" (Chambers, Foulon, Handfield-Jones, Hankin, & Michaels, 1998). It appears this war will continue to escalate albeit more slowly than the past five years.

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When economists discuss competition for scarce resources, including scarce human resources, they generally mean one of two things. Competition is frequently discussed as an impersonal "force" that increases the quality and decreases the price of good and services (McNulty, 1968). U.S. anti-trust policy, for example, is founded on the notion that as the number of companies offering a similar product increases, prices are pushed down to the lowest sustainable level (Brenner, 1987). Alternatively, competition can be thought of as the interactions between rival companies. Firms that are aware of their main competitors implement strategies corresponding to these firms' actual and predicted actions to gain and sustain competitive advantage (Baum & Korn, 1996; McNulty, 1968; Porter, 1980). This type of competition is known as "direct competition." Airlines, for instance, will cut prices and enter or exit specific routes depending on the predicted actions of their rivals. Delta Airlines, for example, slashed rates at its hub in Atlanta in a challenge to AirTran (Harris, 2001). Red Hot hot-sauce, as another example, has stolen substantial market share from Tabasco with the introduction of innovative new tastes; Tabasco has responded with new flavors of its own (D'Aveni & Gunther, 1994).

Interestingly, most of the attention on competitive interactions has focused on competition in the market for customers (e.g., Gimeno & Woo, 1996; Karnani & Wernerfelt, 1985). However, in today's competitive landscape, firms face battles on an additional front: the market for employees. The aforementioned labor market shortage has forced firms into engaging in a War for Talent, yet very little research attention has been aimed at the specific competitive actions and reactions firms take in this battle.

Some examples of direct competition for human resources are instructive. For instance, several years ago Netscape employees were flooded with snail- and e-mail trying to recruit them to work for other companies. Netscape retaliated by recruiting employees from these same companies (Jones & Schmit, 1998). Trucking company J.B. Hunt, finding only the lowest quality workers in the open labor market, significantly raised starting wages to lure higher quality applicants from competing trucking companies (Cappelli, 1999). Competing trucking firms, unable to match starting wages, improved such quality-of-life amenities as comfort of the trucks, Internet access, and subsidized calling cards to protect their drivers and lure drivers back from higher paying firms ("Trucking Companies

Use," 2000). As these examples suggest, competition for scarce human resources involves implementing policy changes in accordance with market signals of quality, scarcity, and price. Competing effectively also involves considering the impact on and reactions from competitors, and responding to the policy changes of competitors that may impact the firm. The following sections review the findings of a study examining the ways in which firms are engaging in direct competition with labor market competitors.

Methods

Identifying and Contacting Participating Companies

Participating companies were identified through two primary sources: the Center for Advanced Human Resource Studies (CAHRS) at Cornell University and referrals from presidents of four regional human resource associations (Austin, Texas; San Francisco, California; Seattle/Bellevue, Washington; and Omaha, Nebraska). Participation was solicited by e-mailing project proposals. Information was collected with telephone interviews lasting from thirty to sixty minutes.

Interviews were conducted with twenty-five respondents from twenty-two companies. Companies participating in the study included: Advantage Receivable Solutions; AIRSDIRECTORY.com; Bristol-Myers Squibb Company; British-American Tobacco; Ciba Vision; GE Financial Assurance; Global Learning Resources; IBM; Interactive Business Systems; Microsoft Corporation; Mutual of Omaha; National Semiconductor; Priceline.com; Raytheon; Schoolpop Inc.; Sears, Roebuck, and Company; Shell Oil Company; Solomon, Smith, Barney; Source4Talent.com; United Technologies Corporation; Weyerhaeuser Company; and a large, well-known, manufacturing company.

Interview Schedule

Semi-structured interviews were used to gather information from the respondents in the twenty-two companies. A standard list of topics was introduced by the interviewer to each participant. Specific examples and prompting questions differed depending on the information provided by the respondent (Lee, 1999). First, the interviewer outlined a summary of the War for Talent. This was followed by a brief discussion of the differences between direct competition between rival firms and simply responding to competitive pressures such as labor shortages. Next, the interviewer asked each respondent to think of an example where a competitor had initiated an action in the open labor market that improved its ability to attract employees inciting the respondent's firm to initiate a counter-action in response to the competitor's tactics. Prompting questions were used to gather specific information about the competitor, employees affected, tactics used by the respondent's company, and information about the competitor's tactics. The same process was used to gather information about if and how their firm responded to competitors attempting to recruit employees from the respondent's firm.[2] Respondents provided information on a number of occupations including engineers, IT staff, phone center employees, and administrative professionals. The person conducting the phone interviews took notes during the interview and compiled a summary of the information following the conclusion of the phone calls.

Results

Direct Competition in the Open Labor Market

Contrary to initial expectations, few participants in this study indicated that their firm responded to recruiting tactics used by their competitors.

Contrary to initial expectations, few participants in this study indicated that their firm responded to recruiting tactics used by their competitors.[3] Most respondents felt that the recruiting strategies of direct competitors could have very little impact on the recruiting outcomes at their firms. Several reasons were offered for this lack of interest. First, in the eyes of these employers, labor markets are highly segmented. One firm may begin aggressively recruiting JAVA programmers with stock options and other incentives. This may have no impact on another firm since it might require C++ programmers. Second, unless the competitor is expanding the business at an exceptional rate, it is unlikely one competitor's successful recruiting strategies will have a substantial impact on the total number or quality of persons with needed skills in the labor market. This is in contrast to competition in the product market. If Company A introduces a better product at a lower price, Company B must respond or risk losing a substantial portion of market share. Finally, even if one competitor can impact the labor market, most skills are at least temporarily substitutable, or nontraditional sources of labor can be tapped. The use of low-security prisoners for low-skill jobs is an example of this type of substitution ("Tight Labor Market," 1999). One respondent stated that if the competition is too fierce at the Ivy League schools where her firm prefers to recruit, she will shift her hiring efforts to a different set of highly ranked schools.

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Notwithstanding the above, a few participants described times where they had responded to the tactics of competitors. These examples were primarily limited to college recruiting. For example, in the last five years, use of signing bonuses has moved from MBA and other professional students to undergraduate students (Hechings, 1997). Two respondents recounted how their firms began offering signing bonuses to undergraduates after learning their competitors were making such offers. One respondent described increasing base pay following a publicized pay increase offered by a competing firm. The pattern of direct competition in the open labor market appears to involve little more than imitation of competitors following minor recruiting innovations.

Few respondents felt there was much to be gained from tracking and responding to competitors' tactics in the open labor market. However, when other firms focused their recruiting efforts on hiring away the employees from the respondents' firms, this constituted an event worth tracking and responding to. The next section explores this phenomenon.

Talent Raids by Competitors

The New Deal at Work by Peter Cappelli (1999) lists a variety of indicators that the social norms are breaking down that once constrained labor market competitors from targeting and hiring each others' employees. Cappelli cites: (1) a number of surveys showing that firms are increasingly hiring fully trained workers from their competitors rather than developing them internally; (2) the rise in the use of "golden handcuffs" (financial incentives used to encourage recipients to stay with their current organization) for both managerial and technical talent and the propensity for companies to reimburse recruits for the loss of golden handcuffs due leaving their current organization (called "golden hellos"); and (3) the dramatic rise in the number of headhunting firms and the revenues generated by this industry over the last ten years. To this should be added the large number of lawsuits filed by firms against their competitors for "poaching" (Armour, 1999).

As commonly defined in the professional recruiting industry, "poaching" involves recruiting and hiring one or two key employees from a competitor. A "raid" involves targeting a competitor's pool of employees as part of a systematic recruiting effort (Sullivan, 2000). Other than competing on salary, little can be done to prevent the loss of highly valuable employees. Thus the focus of this study is on identifying and responding to talent *raids*.

Sources of Information about Competitor Actions

Far and away, respondents mentioned exit interviews as the most common means of determining that a competitor is raiding respondents' employees. Most companies use exit interviews to identify the internal conditions pushing employees to look for other employment (bad supervisors, poor working conditions, etc.) and to identify labor market trends not picked up in salary surveys (Knouse, Beard, Pollard, & Giacalone, 1996). Contrary to popular trends, many of the participants in this study are using exit interviews as an early warning system alerting them to the actions of their competitors. One participant stated that exit-interview information is so important to his firm, he will query former employees' coworkers if he cannot identify the circumstances surrounding the departure. Another participant stated she offers $100.00 gift certificates for the company's products to departing employees in key jobs in exchange for the completion of an exit-interview survey.

In addition, existing employees who are targets of a raid are mentioned as an important source of information of competitors' raiding activities. Two companies mentioned that targeted employees have informed management when the department was receiving recruiting calls from a competing firm. Agilent Technologies offers reporting bonuses to employees who inform management when competing firms attempt to contact them (Lublin, 2000).

Several firms mentioned they did not have to work very hard to determine if they were the target of a raid. Visible competitor tactics included: placing flyers on employee windshields, erecting billboards near company facilities, mass e-mails to all employees, and planes flying over company facilities with banners advertising job opportunities.

Finally, respondents from several companies mentioned that they automatically anticipate a raid whenever an employee leaves the firm to start his or her own business. Past experience has demonstrated to four of the respondents that employees who start their own businesses will try to contact former coworkers to encourage them to join the new business. One respondent mentioned that her firm is working on a program to identify employees working to start their own businesses to prevent them from using company resources (including human resources) to get their businesses off the ground.

Responding to Raids

Responding to competitors' raids appears to be different from responding to tactics in the open labor market. As previously stated, decision makers can choose to response or not respond. Firms that choose to respond may either direct their actions internally or externally. Companies that respond internally attempt to change the conditions inside the organization to reduce the effectiveness of the current and future raids. This might include improving communication, changing work rules, increasing pay, or employing tactics to keep raiders from contacting the organization's employees (i.e., increased phone security). Companies responding externally seek to influence the current and future behavior of the raiding company. External tactics may serve to reduce the likelihood of raids by other competitors as well. These tactics can include cooperative behavior such as contacting the raiding firm and asking them to stop or such aggressive responses as counter-raiding or filing a lawsuit. Finally, responses can vary by magnitude, or the investment in administrative resources in the response. Examples of high/low magnitude and internal/external tactics are listed at the bottom of Figure 1.

Agilent Technologies offers reporting bonuses to employees who inform management when competing firms attempt to contact them.

Low-Magnitude, Internal Response. Two respondents used low-magnitude, internal tactics in response to talent raids. The larger, more prominent organization communicated messages related to the stability, reputation, and opportunity of the organization compared with the uncertainty of leaving for another firm. The smaller, less established firm communicated messages of loyalty, camaraderie, and mission found in their current employment that may not be found in the next firm. Both firms using these tactics made a point of improving communication from upper management and outlining the future vision of the firm.

High-Magnitude, Internal Response. Only one respondent described a response that could be classified as high magnitude and internally directed. The raiding company was a geographic competitor for a similar skill set but not in the same industry. Her firm went a step further than merely improving communication. Following the determination her firm was the target of a raid, focus groups were held with targeted employees to determine how working conditions could be improved. The organization responded by increasing base pay, upgrading the job titles, increasing the shift differential, and increasing the referral bonus.

External responses that attempt to influence the behavior of the raiding firm were less commonly mentioned by the companies in the sample. Three firms described using low-magnitude, externally oriented tactics; one firm used a high-magnitude, external tactic.

Low-Magnitude, External Response. In two of the three examples of low-magnitude, exter-

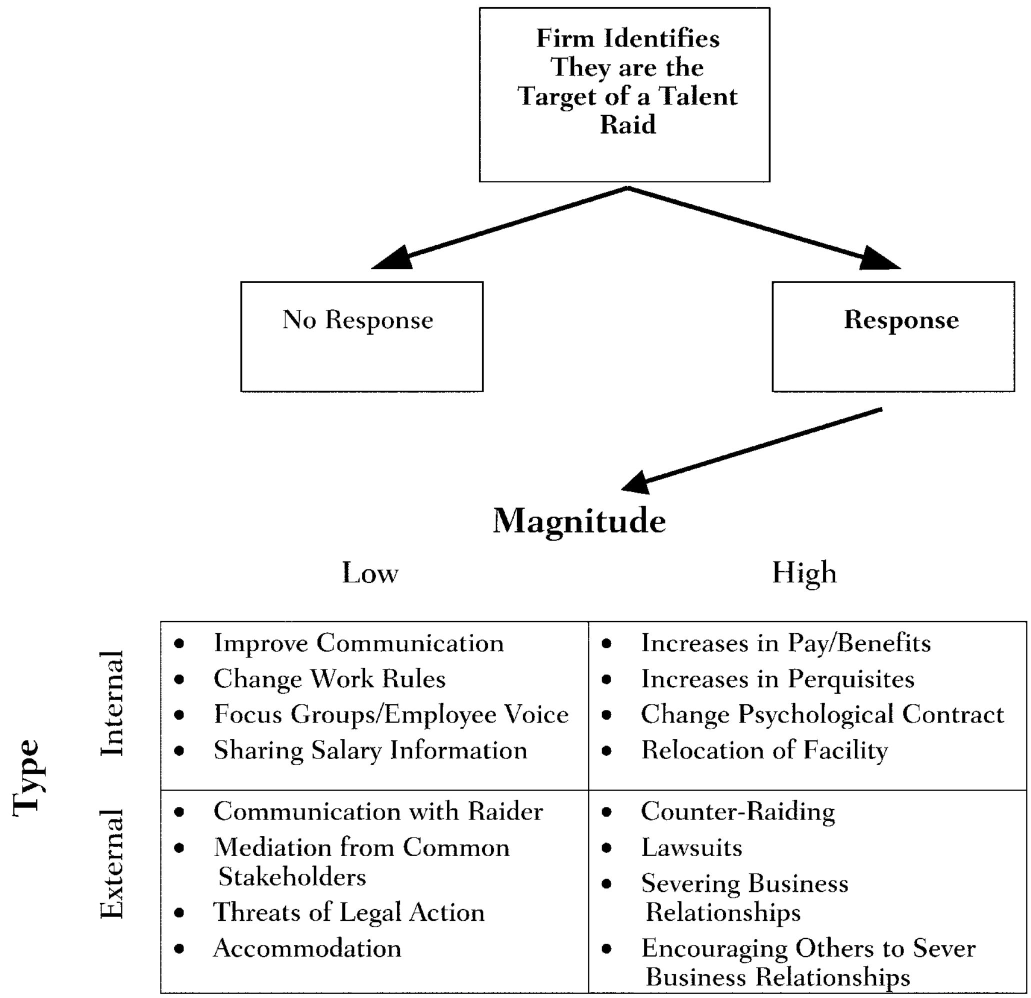

Figure 1. Typology of options of target firms responding to a talent raid.

nal responses, the source of the raid was a former employee who had either joined another firm with a lucrative employee referral program or started his own business. Both target firms responded by having the former managers of the raiding employees contact and ask them to stop raiding employees. Both respondents stated this tactic was effective. A third respondent described an incident where her firm initiated a talent raid on a large industry competitor in a different geographic labor market. The target company's CEO contacted the raiding company's CEO and requested that the raids stop. The request was refused and the target CEO was told that, due to the current labor shortage, his employees were no longer off limits.[4]

High-Magnitude, External Response. One respondent described a response that could be classified as a high-magnitude, external response. After determining her firm was the target of a raid from a very competitive industry rival, her firm began a counter-raid. This involved public advertisements encouraging the raiders' employees to apply for jobs at her firm and behind-the-scenes efforts to recruit and hire several of their employees. The respondent stated the tactics stopped the most egregious raiding activity (contacting employees with mass e-mails) but probably did not stop the rival's less public actions.

It was surprising to find only one example of a high-magnitude, external response, that is, retaliatory poaching or lawsuits to stop talent raids. John Sullivan, an expert on talent raids and former Chief Talent Officer at Agilent Technology, claims counter-poaching the raider's talent, particularly recruiters leading the raid, can be an effective means of stopping current and future raids (Lublin, 2000; Sullivan, 2000). The lack of the use of lawsuits was surprising considering prominence of such tactics in the business press and the extensive use of employment contracts.

Factors Affecting If and How a Firm Will Respond to a Talent Raid

A number of factors appear to affect if and how organizations will respond to rivals' attempts to raid employees. These factors include attributes of the targeted firm, attributes of targeted employees, and attributes of the raiding firm.

Factors That Affect Response or Nonresponse to Talent Raids[5]

Past success may affect a target firm's likelihood of responding to a talent raid. Participants from both new and old economy firms indicated their record of success blinds their top-management teams to real threats posed by smaller or less successful rivals. This observation is consistent with empirical research that has suggested highly successful firms have a tendency to become less vigilant to competitive threats resulting in lower post-success performance (Miller, 1994).

A second organizational factor is the centralization of the HR function. It appears that organizations with highly centralized HR departments were less in touch with labor market dynamics than firms with more decentralized HR functions. Such centralization can reduce administrative inefficiencies, standardize messages, reduce the costs of advertising, and centralize the recruiting competencies (Joinson, 1999). These benefits may come at a cost, especially for organizations with widely dispersed operations. For most types of talent, labor market competition is concentrated at the local level. Organizations with a centralized HR may be unable to track or adequately respond to these challenges.

Several attributes of targeted employees may influence the way firms respond to rivals. Respondents mentioned four key factors: the number of employees affected by the competitors' actions; the performance of the targeted employees; whether the employees work in a core business function; and the mobility of the employee skills. When discussing exit interviews, several participants asserted that the loss of two or more employees to the same company in a short period of time is a key indicator that the firm has been targeted for a raid. If the targeted employees were high performers, firms were more likely to define the event as a raid and respond accordingly.

It appears that organizations with highly centralized HR departments were less in touch with labor market dynamics than firms with more decentralized HR functions.

Skill mobility is defined as the ease with which employees with a particular skill set can move from one employer to another with little loss in pay or responsibility (Stevens, 1994). Several participants stated that they pay special attention to competitors' actions when employees with highly transferable skills are the target of the raid. A competitor that poaches a manager or technical person with less transferable skills is unlikely to target other members of the organization. However, when the raider targets a skill set that is valuable to the company but still easily transferable to other employers, all employees with these skills are in danger of being lured to other employers. For instance, the skills of an investment analyst or outside sales representative are valuable to the company yet easily transferable to industry competitors. To avoid further losses of such key employees, firms may be more likely to respond to raiding tactics. This may be one of the key factors driving the intensity of competition for IT employees. For employees with IT skill sets, the switching costs of moving from one organization to another are quite low, forcing firms to frequently adjust and improve their employment package to stay ahead of rivals (Grunner, 1999).

One of the respondents stated her organization's responses to competitors' actions differ depending on whether the employees threatened are employed in a profit or cost center. Since both the costs and benefits of cost-center employees are spread over the entire organization, it takes severe shortages or losses before influential departments are affected by rivals' activities. Threats to profit-center employees have an immediate impact and are promptly neutralized.

Respondents mentioned two attributes of competing firms that may affect a company's propensity to respond to a talent raid. Talent raids initiated by rivals that are industry competitors and/or local labor market competitors are especially damaging. If the raider is an industry competitor, there is a much greater overlap of skill needs increasing the number of employees that could be targeted for a raid. If the raider is a local labor market competitor, there is little cost for employees to move from one company to another increasing the number of employees that could potentially be stolen.

Former employees also pose a significant threat because they have inside information about the performance of employees allowing them to better target candidates for raiding than persons not affiliated with the firm.

Type and Magnitude of Response

A more intensive analysis was used to identify the factors affecting the type and magnitude of responses to talent raids. First, a brief summary of the circumstances surrounding the raid and response was written for each incident. Next, each incident was sorted into one of the four response categories presented in Figure 2. Similarities were identified for incidents in the same category and differences between categories, the conclusions of which are outlined below. The conclusions drawn from this analysis are illustrated in Figure 2.

Proposition 1: Threat of Talent Raid

It appears that the greater the threat posed by the raid to the target firm, the greater the likelihood the firm will respond with externally orientated tactics than internally oriented tactics. Although outcomes of the interactions were not discussed with the study participants, externally directed tactics may be a quicker way to stop talent raids and thus reduce the overall damage. Consider the two incidents involving high-magnitude responses. The firm facing a threat from a geographic but not industry competitor used high-magnitude, internal tactics (communication, pay changes, etc.). The firm targeted for a raid by an industry competitor used high-magnitude, external tactics (counter-raiding). A raid from an industry competitor poses a significantly greater threat than just a geographic competitor because not only does the target firm lose valuable employees but the competitor gains valuable employees possibly making them more competitive in the product market.

A similar trend can be found with the low-magnitude, external and internal responses; the greater the threat, the greater the likelihood of an external response. Described above are two incidents involving low-magnitude, internal responses. Both incidents involved raids from geographic but not industry competitors. There were three incidents of low-magnitude, external responses. One of these incidents involved a raid by industry competitor, described previously as particularly damaging. The two remaining low-magnitude, external responses involved former employees recruiting from their former firm. Former employees also pose a significant threat because they have inside information about the performance of employees allowing them to better target candidates for raiding than persons not affiliated with the firm.

Proposition 2: Skill Mobility

Second, it appears skill mobility plays a role in determining whether targeted firms will respond to a talent raid with a low- or high-magnitude response. The greater the ease with which employees' skill sets allow them to move from one company to another, the greater the likelihood of a high-magnitude response. The two raiding incidents resulting in a high-magnitude response (internal and external) involved (1) employees with a special certification that allowed them to transfer between employers with relative ease and (2) employees with technical skills valuable to both the raiding and target firm. The raids resulting in low-magnitude responses involved employees with valuable but less easily transferred skills.

High-magnitude responses involve greater investments in administrative and financial resources to stop the raid. The greater investment in resources may reflect the target firm's attempt to reduce the ease with which employees are able to move from one firm to another. High-magnitude, internal responses may increase the incentives for employees to stay and thus increase the price current or

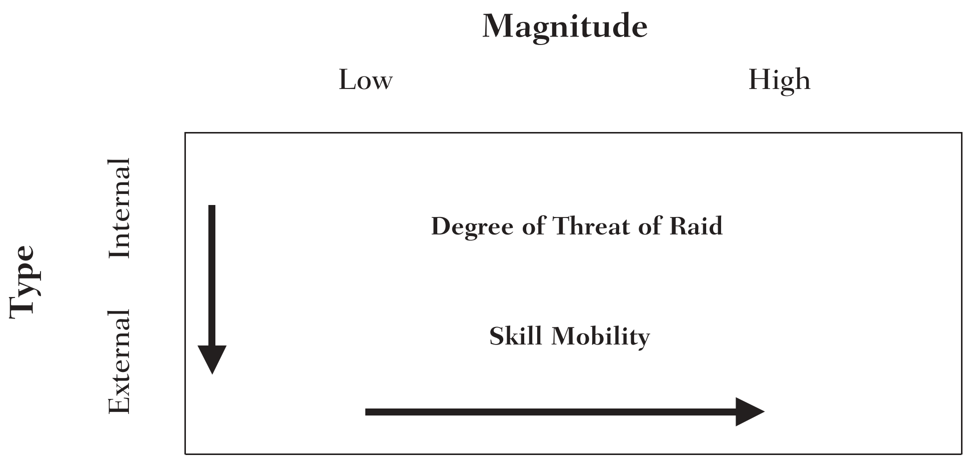

Figure 2. Factors influencing direction and magnitude of responses to talent raids. The greater the perceived threat of the raid the greater the likelihood the target firm will respond with external tactics. The greater the mobility of the threatened employees, the greater the magnitude of the target's response.

future raiders have to pay to lure further employees away. High-magnitude, external responses are generally punitive in nature (i.e., lawsuits, counter raiding) and thus increase the costs of continuing the raid.

Proposition 3: Skill Mobility and Threat Interact to Predict Retaliatory Responses

Of the four possible response types described in Figure 1, high-magnitude, external responses (i.e., counter-raiding, lawsuits, etc.) pose the greatest danger to talent-raiding firms because they are retaliatory in nature and may result in financial or human capital losses. All other types of responses to a talent raid are essentially defensive moves that merely make future raids on the target company more difficult. Firms considering initiating talent raids should be primarily interested in, preventing retaliatory responses (Karnani & Wernerfelt, 1985). The qualitative evidence of this study suggests that an interaction of the threat posed by the raid and the skill mobility of targeted employees may increase the likelihood that the targeted firm will respond with retaliatory tactics. While there is only one example of a raiding incident resulting in a counter-raid in this sample, the situation involved both elements of great potential harm to the target firm and employees with highly transferable skills. None of the other raiding episodes involved the combination of these two factors.

Discussion

Strategy, including human resource strategy, involves more than just acquiring and deploying value-creating resources. Business leaders must initiate actions to gain advantage over rivals and must anticipate and respond to the actions of rivals. Strategic human resource management theory has focused almost exclusively on identifying systems of value creating human resource practices and ignored the role that interactions with direct competitors play in achieving desired human resource and firm outcomes. The purpose of this study is to use the context of the talent wars to explore if, how, and why firms interact with rivals for scarce human resources. Clearly there are limitations to the validity and generalizability of conclusions drawn from this particular sample and data. Nonetheless, these findings can provide insight for managers in the trenches at the talent wars and can also provide a foundation for future empirical research.

It appears that the answer to the question of whether companies are competing with rivals for scarce human resources is both "no" and "yes." With limited exceptions, it does not appear firms respond to the actions of rivals when they compete in the same open labor market. There appears to be a certain amount of competitive interaction (primarily in the arena of college recruiting) but this is merely a process of minor innovations (exploding job offers, rapid hire decisions) followed by imitation by rivals. On the other hand, the companies in this sample reported tracking the actions of competitors and taking counter-actions to protect their employees from talent raids. The obvious difference is that firms do not expect competitors' actions and innovations in the open labor market to have an impact on their recruiting outcomes while companies expect that wholesale raiding will have a significant impact on firm operations.

... firms should implement new strategies as a bundle of multiple tactics rather than one or two at a time to increase the difficulty of immediate imitation.

When responding to talent raids, companies tend to either make internal changes to the employment relationship with targeted employees or attempt to influence the raiders' behavior. The choice of type and magnitude of response appears to be a function of the threat posed by the raid and the skill mobility of the targeted employees. Threat of the raid and skill mobility appear to interact to increase the likelihood of a retaliatory response from the target firm.

These findings have implications for four groups of companies: (1) companies implementing new or improved recruiting strategies in the open labor market; (2) companies competing in the same labor markets as active competitors; (3) companies contemplating a raid on their competitors' employees; and (4) companies that are the target of a competitor's raid.

Implications for Companies Implementing New or Improved Recruiting Strategies

Companies intending to improve recruiting in the open labor market (without targeting any one competitor) can be relatively assured that their actions will be ignored. When competing in small and more visible arenas (i.e., college recruiting), imitation by rivals becomes more likely. Companies seeking to extend the time between implementation of their strategies and imitation by competitors should refrain from unnecessary public communication of their activities. Second, firms should implement new strategies as a bundle of multiple tactics rather than one or two at a time to increase the difficulty of immediate imitation (MacMillan et al., 1985).

Implications for Firms Competing in the Open Labor Market with Competitive Rivals

There are lessons to be learned for companies affected by the actions of their rivals. Since it does not appear that companies typically respond to the tactics of rivals, one lesson may be that there is little to be gained from tracking and responding to competitors' tactics. Alternatively, under certain circumstances, it might make sense to gather systematic information on the actions of rivals competing for especially valuable pools of talent followed by targeted counter-tactics to maintain a presence in the labor market and a certain amount of "labor market share." For example, Cisco recently began offering stock options to high-tech interns. Direct competitors for this type of talent may want to consider responding with a set of tactics that both attracts interns and encourages them to accept full-time positions.

Implications for Firms Considering Initiating Talent Raids

Companies contemplating a raid on their competitors should be particularly concerned with preventing counter-raiding and lawsuits. Although there is only one example of this in the sample, there are numerous examples in the business press. Raiding two or more employees may increase the likelihood of a response from the target organization; typically an internal response that has no impact on the raiding organization other than making future raids more difficult. The greater the mobility of the targeted employees and the greater the competitiveness with the targeted firm, the more likely the target will respond with aggressive tactics. If raiding is a necessity, the raiders may want to consider disguising their activities by (a) delaying the time between hiring each candidate; (b) approaching the employees of the same company using different headhunting firms or divisions; (c) giving the poached employees different titles to disguise horizontal moves; and (d) coaching poached employees to disguise the nature of their new assignment during the exit interview. Lastly, it appears that companies seeking to stop a raid with external strategies will first attempt to communicate their intentions through human resource, legal, or top executives. Raiders who cease their raids after these requests may be able to avoid litigation and counter-poaching.

Implications for Firms That Are the Target of a Talent Raid

Finally, this study also provides some lessons for companies that are the target of a competitor's raid. The importance of exit interviews cannot be overemphasized. There seems to be a lack of enthusiasm for exit interviews among HR professionals. Many say the information is of little value because employees are reluctant to state why they are *actually* leaving to avoid burning bridges (Brotherton, 1996). The purpose of exit interviews should be expanded to include developing a better understanding of the outside labor market as well as a means to understand the dynamics inside the organization. Rather than simply focusing on *why* an employee leaves, exit interviews should seek to elicit *how* (i.e., how the employee was contacted, persuaded, and by whom, etc.) the employee came to the point of exit. Second, the respondents in the sample indicated their organization either responded internally or externally to talent raids. There is no reason why these tactics could not be combined. Communications with both targeted employees and the raider might stop the loss of employees in the process of departure while discouraging future attacks.

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ENDNOTES

1. This research was made possible by a grant from the Center for Advanced Human Resource Studies at Cornell University. I wish to thank Patrick M. Wright for the many helpful comments on this article. The usual disclaimer applies.
2. It would have been interesting to discuss with respondents how competitors responded to their companies' actions. This line of questioning was avoided since it was unlikely the participants could describe with any degree of accuracy the internal and external responses of competing firms.
3. This conclusion must be tempered by the very real possibility that study participants were providing socially desirable responses. A number of respondents, when asked whether they had observed and responded to the tactics of competitors made statements to the effect of "Our firm is an industry leader. We do not respond to our competitors; our competitors respond to us." A

long line of research has shown that industry leaders both act and react to product market competitors (Grimm & Smith, 1997). One study has shown that industry leaders who are less competitively aggressive are more likely to experience market share erosion and/or dethronement (Ferrier, Smith, & Grimm, 1999). Although we do not know if these findings hold in the competition for human resources, ignoring the actions of competitors is unlikely to increase the chances of achieving desired outcomes.

4. Unlike all the other anecdotes described in this paper, the information from this interaction came from the raiding company rather than the target company. According to the respondent from the raiding company, soon after the exchange of phone calls between the CEOs the target company initiated a study on recruiting in the "New Economy."
5. The factors identified in this section were derived from discussions with participants rather than a detailed comparison of response incidents. The factors affecting type and magnitude of responses to talent raids were identified by detailed analysis of the circumstances surrounding the incidents.