What Do We Mean by Talent?

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Merit in the New Economy

WHAT I want to do is to raise a question about what we mean when we talk about talent, in relation to meritocracy. There is a particular incident that got me thinking about this. My research programme in London and New York has been studying changes in the workplace over the past twelve years—it has been mostly ethnographic work with people in the so-called New Economy, which is a misnomer. We have been studying people who have been working in financial services, the new technology and to some degree media services. Amongst that work was a study with forty-six personnel managers of investment banks in both New York and Chicago, and what I want to describe is something that really surprised us.

One of the questions we asked these personnel managers was obviously about what kind of talent they looked for in people they were hiring, about their criteria for promotion in banks and so on. What surprised us was that the words 'aggressive', 'hungry' and 'ambitious' didn't figure very much in these personnel managers' descriptions of middle-level employees. It's a dog-eat-dog world, and it's a nightmare at the top—but when you get down to the middle ranks of companies such as Goldman Sachs or Lehman Brothers, where these personnel managers operate, then it's very different.

What they said was that they were looking for people who were capable of—as they put it—surrendering their competence over any particular task. What that meant was they were looking for workers who were not so much good at one thing, but capable of learning new tasks as the institutions themselves took on new kinds of work. When they hired young people, that translated very concretely into looking, for instance, not at people who had great quantitative skills (though they had to have some background in economics): they were more interested in people who were capable of learning foreign languages, as indeed are the top business schools in the United States. If you study Greek as an undergraduate, for example, that's a very good entrée into a business school, because your choice indicates that you are capable of changing, getting out of normal contexts, and learning something that is strange and foreign. And in a highly mobile business world this is seen as an ability that counts more than mastering some particular skill—such as money leveraging—and then practising that skill year upon year.

This seemed reasonable to us, although not quite what we had imagined. We then took a look at the promotion fix, and we were told that if someone is not promoted fairly rapidly within the organisation, particularly in their first

Published by Blackwell Publishing Ltd, 9600 Garsington Road, Oxford OX4 2DQ, UK and 350 Main Street, Malden, MA 02148, USA

five years, they are doomed. Similarly, when they hire people from outside the bank, if they see that someone has been in a particular job for more than four or five years, that counts as a negative mark against them. The notion is that they have become institutionally ingrown and attached to a particular skill. So if the business climate changes in a such a way that the skill in question is no longer so valuable, then they will have too much investment in their old abilities, and in doing that particular thing, to move on.

A disappearing ladder

Leaving aside for the moment the framework of the banks, which is what our research mostly considers, the same phenomenon turned up when we carried out a study of personnel managers at IBM. Before 1993, IBM used to be an extremely paternalistic company, in which people spent their whole working lives. They learned how to do one thing; and on the basis of doing that one thing well, they were promoted and so on. After 1993, that kind of skill ladder disappeared and, for instance, people who were skilled at mainframe programming in the 1980s—which was a very profitable time for the industry—became rather negative presences in the corporation, because they knew how to do IBM's 'old' business. Simply the fact that they had developed those skills was held against them as a negative. Unfortunately, in firms with this kind of mindset, if you don't move your kit—that is, the notion that you do one thing, just stay with one thing and stay with it stably—it is viewed as a negative, quite literally. It is a bureaucratised negative. People who stay in the same job for four or five years are very vulnerable to being let go.

This bears not on Michael Young's version of meritocracy, but on Daniel Bell's version. What happens is that such employees slowly become downwardly mobile within the company. You can do anything with them. They will hang around—it doesn't matter. So, over the course of time, they actually become deskilled. In media companies, this is a very rapid phenomenon indeed—so much so that people in their late forties and fifties, unless they become really mogul-like, and even though they've done long service in the firm, will end up working at an inferior skill level compared to young people who have just come in. There's a presumption that the modal efficient age in media companies is between 32 and 38. Sometimes they quit; it depends on the firm. But if they're kept, they gradually become deskilled. That's why we're in a different world of talent, certainly compared with Michael's book. There's no question of criticising him; after all, why should he have perceived this happening? But, nevertheless, we are living in a different world.

Our recently published study identifies a twofold significance to this phenomenon. One aspect is that in these leading-sector kinds of businesses, the notion of developing craftsmanship is a negative. It comes back to the complaint about the way in which people do things in the US. The notion that acquisition of a specialised skill is seen as being a positive in a corporation such as IBM is very ambiguous. Because you may commit yourself to respect from other people on the basis of that skill, you may invest too much in it. It correlates with the diminution, in the high-tech industries, the high-finance sector and the media industries, of the notion that seniority is a climb, and a reward. This is rapidly changing.

So, then, the second issue is this. If craftsmanship, with its vibrant tradition of service to the organisation—of mastery of a particular skill—doesn't constitute merit, then, under these changing conditions, what *is* merit? As we began to probe this in some detail in our study, we found that merit has been redefined by these managers—as with the example of learning Greek—as a *potential*, rather than practice. And when they look for employees to hire, they are trying—using all the gobbledegook of most human relations gurus, and also various testing methods—to find measures that represent a condition in which merit is a capacity, as it were, to dramatise one's own potential. The idea is that people who are capable of disinvesting themselves in particular activities, who are good at dealing with changing circumstances and who don't claim ownership of skills, have more potential than people who commit.

When we are talking about meritocracy, it seems to me that, for the future, this is a large issue that social analysts need to study in depth. If the ability, in such a corporation, to walk away from something—to take a distant stance; to not get too ingrown; that is, not to develop too much corporate loyalty—is seen not as negative but as a positive, and means that you are flexible, then it means that when business conditions change, you can change with them. Under those conditions, the notion of self-development becomes something extremely problematical. You are constantly, as it were, walking away from your own commitments. The aspect of this that interests me the most is the notion, based on my own presuppositions about what work does for people's long-term self-organisation, that you do have to have a feeling of accumulation and a narrative flow; that you don't just have serial experience, one job after another. In some way, you do need to accrete—to glue together—your experiences.

We currently have a study under way that involves some 28 year olds who have gone into a set of these high-flyer firms. We are making comparisons with a study of young people of about a similar age that was carried out at Harvard's Murray Center thirty years ago. The exercise is about a sense of strategy for the future, orientations about how long young people want to use the skills that they acquired at university, their education, their life networks and so on. To summarise, what we are finding is that under these new kinds of business conditions what you get is people who have no work narratives—that is, they can't project into the future. They are well adapted to a world of work in which there are no long-term career narratives. They have a great deal of trouble thinking about where they want to be in five or ten years' time. Even though many of these young people went to very expensive business schools, the meaning of their education is very opaque to them. They say, 'Well, they didn't really teach me anything, because the firm can buy most of the skills abroad, from people who are even younger than me.' These young people have a sense of a kind of self-consumption.

Skills in the global economy

The framework for the old system of meritocracy—not so much, perhaps, Michael Young's approach, but more the one that Daniel Bell and Alain Touraine developed in their versions—was a skill-based society in which skills were concrete practices, and the more skilled you got, and the more experienced you became in exercising these skills, the more value you had and the higher up you rose. But that kind of post-industrial world has been dispensed with in flexible capitalism, because the institutions—at least, the kind of institutions that we've been studying—no longer operate in that way. They don't draw on the accretion of human capital. They don't reward people who have become very attached to doing one thing.

All of this is tied up with the emergence of the global economy. The people who have been the subjects of our studies are not at the very top—that's a kind of nightmare that I can't consider here—but they're the upper-to-middle level managers. At this level, the market is causing a shift towards a more generalist style of working, which can cope flexibly with changes in very unstable circumstances. This shift is taking place in firms—especially high-tech firms in the financial sector and types of media firms—that are extremely attractive to investors who want short-term, shape-up price returns from them, rather than long-term profits. This is the position in the high-tech sector, and it is equally true for those banking or financial services firms that have gone into the market to raise capital.

Since 1976, globalised investors who hold shares for relatively short periods of time have been looking for factors that can boost the share price rapidly, which means changing business plans and a sense of dynamism. The crucial point is that a firm is dynamic—that there is something unknown about it—because you can sell this to someone who is prepared to take a punt on the fact that change is going to mean that share prices go up even more.

I think the analysis offered by economist Bennett Harrison—that what we are seeing is a whole change in the structure of work, driven by the way in which firms are financed in this global stock market—is a very persuasive argument. We looked, for example, at the case of the Sunbeam organisation, which is an amazing story. Sunbeam made toasters, blenders and so forth, and they made a lot of money out of them. Then, in 1996, after a decree by a new company president that Sunbeam was no longer actually going to make toasters or blenders, there was a public offering of new stocks. The idea was to sell off this profitable business and use the resulting windfall to finance the debt for a new public offering, and Sunbeam would then move into owning credit card companies.

Following this, the company's share price went up forty-six times—not 46 per cent, but forty-six *times*. Meanwhile, its profitability fell to zero. For a year, the sheer drama of what might happen to this firm meant that the stock price continued to go up and up and up. And then, of course, it crashed—leaving about 14,000 employees without work and the company unable to produce any profits, because it had sold off all of its profitable sectors in order to finance the IPO. This is the story of a great many companies in this realm. When I come to think about it, it has become the norm, not the exception—and that's very hard for us to understand.

The effects of globalisation have been different lower down in companies, and in less advanced or leading-edge firms. This is evident in the way in which modern capitalism deals with outsourcing, for instance—relatively semi-skilled activities such as rendering accounts, preparing accounts and so on. It isn't just that there's a race to the bottom in terms of the global labour market, but the notion is that if you pay overqualified young people in other countries poorer wages, you get higher-quality work, and run a more efficient organisation, than you can by developing those same skills within your own corporation. So the logic of a lot of this outsourcing is actually to seek people abroad. Indian call centres are a great example of this; even *more* so are Indian centres for software programming—where you have people who are getting high-quality wages by their standards, but awful wages by Western standards. Such people are overqualified intellectually for the work, and they do it well.

And this is where the issue broadens out. That kind of economics of merit is more attractive to corporations in the West than investing in skills, and the development of skills, amongst people here. So the dilemma posed by the skill component of meritocracy is something that, I think, presents us with a real time bomb. What our research group has found is not just indicative of the way in which Lehman Brothers is, of course, not a model for running a dairy or building train parts. It could not do that sort of thing. But more than that, the focus on privileging flexibility within the organisation, defining skills as potentials and exporting the old-fashioned notions of merit—as competences, intellectual craftsmanship or mental ability—seems to me to create a situation in which meritocracy loses all the moorings you usually associate with it.

Therefore, when I listened to Tony Blair in 1996, giving his famous meritocracy speech, it seemed to me one of the most nostalgic pieces of political rhetoric I have heard. It is about a form of investment in human capital that in Britain, as in the US, is rapidly disappearing. People who actually get good work on the basis of their education, because they know how to do something, because they have specialised skills—that kind of world is dying out. It is being replaced by something much more complicated in terms of the global economy. We need to have this in our minds, and to reconsider what we mean by skill and ability, whenever we discuss meritocracy.

