

Talent competition:
the interrelationship between individual competencies and
industry structure and evolution

by

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ABSTRACT

The key sources of a firm's performance are the capabilities of the entrepreneur (CEO) and the employees, and the extent to which these are made productive. In many service industries the competition for the productive capabilities of individuals (so-called talents) is a basic determinant of the evolution of the industry structure. In our model firms consist of entrepreneurs hiring individuals that match their own combination of talents (firm-level social reproduction). Individuals choose companies in which their specific combination of talents are best valued. We explore the (comparative) statics of this model, plus its dynamic properties when employees learn and when technological change causes the relative importance of certain talents over others to shift over time. The findings are translated to a list of testable propositions that may guide future empirical work.